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HON. S. CREELMAN'S REPORT.

UPPER STEWIAKKE,

17th October, 1882.

THE HONORABLE CHARLES E. CHURCH,
Provincial Secretary.

SIR :

The Honorable W. B. Vail having been appointed in my stead as Agent of the Provincial Government and Province of Nova Scotia in London, for the purpose of empowering him to complete, as such Agent, the provisions of the Act of the Legislature of Nova Scotia, passed at its last session, entitled : " An Act for the consolidation of the Nova Scotia Railways," I have the honor to report, for the information of his Honor the Lieutenant-Governor, the progress which had been made in promoting the purpose of the said Act when my agency in connection with it terminated.

In the performance of this duty I herewith submit a copy of the Report, which, in compliance with your request, under date of the 13th ult., I handed the Honorable Mr. Vail immediately after his arrival in London, which, I trust, will afford the information required in as satisfactory a shape as any other that I could adopt.

(COPY.)

PORTLAND HOTEL,
Great Portland Street,
London,

26th September, 1882.

HON. W. B. VAIL,

SIR :

In compliance with the request of the Honorable Charles E. Church, Provincial Secretary of the Province of Nova Scotia, contained in his communication of the 13th inst., handed me by you this morning, I submit for your information the following as a report of my actions as Agent of the Government of Nova Scotia in connection with the Act entitled " An Act for the consolidation of the Nova Scotia Railways." I may in the first place state that upon my arrival here on the 7th of June last, and upon my first interview with Mr. Plunkett, the representative of the Provisional Company, I was led to fear that it would require a considerable length of time to complete the business neces-

sary to be done before the assignment provided by the Act to be made by the Provisional Company could be executed. As this part of the business was not completed until the 21st day of July, my fears in this respect were fully realized.

During this time I was in constant communication with Mr. Plunkett, and found it necessary to have frequent correspondence with the Government by Cable; but as this correspondence is in possession of the Government, and would be of no service to you here, I presume that I need not give a detailed account of it.

The present position of matters in connection with the Syndicate will be understood by attention to the following correspondence.

On the 31st day of July last I received a letter from the Solicitors of Baring Brothers & Co., of which the following is a copy:

MARKBY, STEWART & Co.,

57 Coleman St.,

London, E. C., 31st July, 1882.

THE HONORABLE S. CREELMAN,

&c., &c.

"Nova Scotia Railway Company."

SIR:

We have been giving constant attention to this matter, but there have been a good many details to be observed which have occasioned some delay. We are now, however, engaged in preparing the form of Bond or Stock Certificate to be issued by the Company, and we shall be obliged by your letting us know whether you wish to see the draft before it is finally settled.

Messrs. Baring Brothers & Co. have suggested that, with a view to satisfying the requirements of investors, the securities should be issued either in Bonds payable to bearer or in Stock Certificates inscribed with the name of the holder, and registered in the Company's books, and we shall be obliged by your letting us know whether you see any objection to this course.

We are, &c.,

(Sgd.) MARKBY, STEWART & CO.

To which I replied as follows:

PORTLAND HOTEL,

Grt. Portland St.

London, 1st August, 1882.

MESSRS. MARKBY, STEWART & Co.

SIRS:

Yours of the 31st ult. is duly received, in reply to which I have to state that I am quite willing that the "Nova Scotia Railway Company" should choose the manner in which it should issue its securities, and I do not see any objection to either of the courses proposed, but I consider it quite necessary that I should see the draft before it is finally settled.

I am, &c.,

(Sgd.) SAML. CREELMAN.

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On the first of August I received from Messrs. Baring Brothers & Co., of which the following is a copy :

8 BISHOPGATE ST. WITHIN,
London, 31st July, 1882.

THE HON. S. CREELMAN,
Care Markby, Stewart & Co.,
57 Coleman St.

SIR :

We think it well to call your attention to the fact that it is, in our opinion, essential, before the Nova Scotia Railway loan is offered for public subscription, that the terms of purchase of all existing lines should be finally arranged as soon as the money market is in a favorable condition—which may possibly be in October—and provided all the necessary arrangements are then satisfactorily completed, we shall be prepared to offer the guaranteed Bonds for subscription, and we will, if it is so desired by the Provincial Government, and the "Nova Scotia Railway Company," assent thereto, hold the money for account of the Government.

Sir
We remain, &c.,
(Sgd.) BARING BROTHERS & CO.

To this I made the following reply :

PORTLAND HOTEL,
Great Portland Street,
London, August 2nd, 1882.

MESSRS. BARING BROTHERS & CO.,

SIRS :

I am in receipt of yours of the 31st ult., and have noted its contents particularly the closing sentence, in which you state "we will, if it is desired by the Provincial Government, and the Nova Scotia Railway Company assent thereto, hold the money received for account of the Government."

I may state the Nova Scotia Government fully expected and understood the equivalent of one million and seventy-eight thousand pounds sterling in Bonds, Debentures or Stocks, of any one or more of the Governments of Great Britain, France, the United States, or the Dominion of Canada, would be deposited with you before the guarantee should be executed by me and delivered to you in accordance with my instructions under Minute of Council approved by the Lieutenant-Governor. I do not, therefore, apprehend that there will be any objections to the securities being held by you for the purpose intended.

I am, &c., &c.,
(Sgd.) SAML. CREELMAN.

Being informed by Mr. Plunkett that Baring Brothers & Co. wished to have the Bonds endorsed, but held by me, so as to have them ready for delivery immediately after the securities were deposited with them, and that my letter seemed to indicate that I would not sign the guarantee until after the deposit of securities which would cause some unnecessary delay, upon the request of Mr. Plunkett, I addressed a note to Messrs. Baring Brothers & Co., of which the following is a copy :

PORTLAND HOTEL,
Great Portland Street.

London, 28th August, 1882.

MESSRS. BARING BROTHERS & Co.,

SIRS :

Having understood that my letter of the 2nd inst., seemed to indicate something different from the terms of my instructions contained in the minute of the Governor in Council of Nova Scotia, dated the 18th day of May, 1882, I now request the withdrawal of the same.

I am, &c.,

(Sgd.) SAML. CREELMAN.

On the 12th September, I received from Messrs. Markby, Stewart & Co. a note, of which the following is a copy :

57 COLEMAN ST.,

London, E. C., 12th Sept., 1882.

THE HONORABLE S. CREELMAN :

"Nova Scotia Railway Company."

DEAR SIR :

We now send you, herewith, the draft form of certificate and coupon of the perpetual guaranteed stock and interest.

We also send you the draft, First Mortgage Deed in favor of the Government. This draft, as you are aware, was prepared by the Government, but we have added a clause No. 24, which it is proper should be submitted for approval.

We shall be obliged by your returning the drafts as approved on behalf of the Government, at your early convenience.

We remain, &c.,

(Sgd.) MARKBY, STEWART & CO.

As you were appointed to take my place about this time, nothing since has been done either by the Company or myself in regard to the Syndicate business.

I now hand over to you a copy of the assignment which was executed in triple, the draft form of certificate and coupon of the perpetual guaranteed Stock and interest and the Draft form of Mortgage Deed in favor of the Government, with the hope that you will have the pleasure of completing the business to the satisfaction of all parties interested in the scheme.

I have, &c., &c.,

(Sgd.) SAML. CREELMAN.

I may add that, upon the receipt of your cablegram of the 7th day of September, I addressed a letter to Mr. Smithers, of which the following is a copy :

PORTLAND HOTEL,
Great Portland Street,
London, 9th September.

SIR :

The Honorable Provincial Secretary of Nova Scotia has informed me that the Government of Nova Scotia has decided to grant the Charter to the "Nova Scotia Railway Company," and publication of the same will be made in the next "Gazette," which will probably be on Wednesday next, as that is the regular day of its issue. And he also instructs me not to do anything in reference to the guarantee of Bonds until the Company deposits one million dollars as sinking fund, besides five and a half millions in conformity with the provisions of the Company's Charter.

I am, &c.,

(Sgd.) SAML. CREELMAN.

SYDNEY J. SMITHERS, Esq.,

I informed Mr. Vail of this correspondence and in the several interviews which I had with him I gave him all the information in reference to the Syndicate that was in my power to communicate, and I informed Messrs. Markby, Stewart & Co. that the Honorable W. B. Vail had been appointed as Agent of the Government in my stead, and that I had handed him the documents which I held in connection with the Syndicate.

I have the honor to be,

&c., &c.,

(Sgd.) SAML. CREELMAN.



HON. W. B. VAIL'S REPORT.

HALIFAX, January 5th, 1883.

SIR :

I have the honor to submit, for the information of His Honor the Lieutenant-Governor and Council, the following Report of the result of my recent trip to England, under the authority of the Order in Council of the 13th September last.

I am,

Your obdt. servt.,

(Sgd.) W. B. VAIL.

HON. CHAS. E. CHURCH,

Provincial Secretary,

&c., &c.

In compliance with instructions received from the Government, I left Halifax on the 15th of September, and arrived in London on the 26th, at 6 P. M.

On the following morning I called on Mr. Creelman, at his hotel, and handed him the letter from the Provincial Secretary, informing him of my appointment as Agent of the Government. Mr. Creelman expressed himself as rather glad to be relieved of the duties; and stated that notwithstanding he had been in London over three and a half months, owing to the result of the Nova Scotia Elections, and the delay consequent on the change of Government, he had not been able to make much progress with the business. He would, however, comply with the request of the Government, and furnish me with a written report of his work as soon as possible, together with all papers bearing on the subject. I called again on the following morning (Wednesday), when I met Mr. Plunkett, who assured me that he would be prepared to proceed with the business in a few days, and he had no doubt that in a short time it could all be satisfactorily arranged, but he was anxious to talk the matter over with me as soon as possible, before the Company took it in hand, and I accordingly agreed to call at his lodgings in the evening of that day, when we had a full two hours' discussion of the Syndicate Contract; and, notwithstanding Mr. Plunkett seemed very anxious to satisfy me that the payment of the sinking fund capital would be a good operation for the Company, inasmuch as they would receive five per cent. for their money, which was more than any other investment would yield at the present time, I left him

fully convinced that no arrangement whatever had been made to provide either sinking fund capital, or any other funds for the undertaking; and that a considerable time must elapse before they would be in a position to claim the Government guarantee.

I then arranged to meet him at the office of Messrs. Markby and Stewart, the Solicitors of the Company, the following morning; but having subsequently been informed that Mr. Stewart was not in the city, we decided to call on Mr. Smithers, the Secretary, when I informed him that I had a copy of the "Gazette," with the proclamation, granting a Charter to the "Nova Scotia Railway Company," and I should, as soon as I received the papers from Mr. Creelman, communicate with him officially, and be prepared to proceed with the work which devolved on me as the agent of the Government. Mr. Smithers immediately referred to the difficulty of having more than two Directors in Nova Scotia, and stated that in his opinion the Company would not proceed with the business until a change could be effected; in fact the necessary capital could not be raised till the number was reduced below that named in the Act of Incorporation as a quorum for the transaction of business; and he was quite sure the London Directors would decline to meet till that question was satisfactorily settled. I stated that I did not know how the Government would view this, but I would submit any proposal they had to make when it was placed in my hands, and get a reply as soon as possible.

I called again on Mr. Creelman in the evening, and received his report, which I think it better to give in full, that the Government may understand exactly where Mr. Creelman's duties ended and mine began.

PORTLAND HOTEL,

Grt. Portland Street,

London, 26th September, 1882.

HON. W. B. VAIL,

SIR :

In compliance with the request of the Honorable Charles E. Church, Provincial Secretary of the Province of Nova Scotia, contained in his communication of the 13th inst., handed me by you this morning, I submit for your information the following as a report of my actions as Agent of the Government of Nova Scotia, in connection with the Act entitled "An Act for the Consolidation of the Railways of Nova Scotia."

I may state in the first place that upon my arrival here on the 7th day of June last, and upon my first interview with Mr. Plunkett, the representative of the Provisional Company, I was led to fear that it would require a considerable length of time to complete the business necessary to be done before the assignment provided by the Act to be made by the Provisional Company could be executed. As this part of the business was not completed until the 21st day of July, my fears in this respect were fully realized.

During the time I was in constant communication with Mr. Plunkett, and found it necessary to have frequent correspondence with the Government by cable, but as this correspondence is in possession of the Government, and would be of no service to you here, I presume that I need not trouble you with a detailed account of it.

The present position of the matter in connection with the Syndicate will be understood by attention to the following correspondence.

On the 31st day of July last I received a letter from the Solicitors of Messrs. Baring Brothers & Co., of which the following is a copy :

MARKBY, STEWART & Co.,
57 Coleman St., London, E. C.,
31st July, 1882.

THE HONORABLE S. CREELMAN,

&c., &c.

"Nova Scotia Railway Company."

SIR :

We have been giving constant attention to this matter, but there have been a good many details to be observed which have occasioned some delay. We are now, however, engaged in preparing the form of bond or stock certificate to be issued by the Company, and we shall be obliged by your letting us know whether you wish to see the draft before it is finally settled. Messrs. Baring Brothers & Co. have suggested that with a view to satisfying the requirements of investors the securities should be issued either in Bonds payable to bearer, or in stock certificates, inscribed with the name of the holder, and registered in the Company's books, and we shall be obliged by your letting us know whether you see any objection to this course.

We are, &c.,

(Sgd.) MARKBY, STEWART & CO.

To which I replied as follows :

PORTLAND HOTEL,
Grt. Portland St.,
London, 1st August, 1882.

MESSRS. MARKBY, STEWART & CO.

SIRS :

Yours of the 31st ult. is duly received, in reply to which I have to state that I am quite willing that the Nova Scotia Railway Company should choose the manner in which it should issue its securities, and I do not see any objection to either of the courses proposed; but I consider it quite necessary that I should see the draft before it is finally settled.

I am, &c., &c.,

(Sgd.) SAML. CREELMAN.

On the first day of August I received a communication from Messrs. Baring Brothers & Co., of which the following is a copy :

8 BISHOPGATE ST. WITHIN,
London, 31st August, 1882.

THE HONORABLE S. CREELMAN,
Care of Markby, Stewart & Co.,
57 Coleman St., E. C.

SIR:

We think it well to call your attention to the fact that it is in our opinion essential before the Nova Scotia Railway Loan is offered for public subscription, that the terms of purchase of all existing lines should be finally arranged. As soon as the money market is in a favorable condition—which may possibly be in October—and provided all the necessary arrangements are then satisfactorily completed, we shall be prepared to offer the guaranteed Bonds for subscription, and we will, if it is so desired by the Provincial Government, and the "Nova Scotia Railway Company" assent thereto, hold the money for account of the Government.

Sir, we remain, &c.,
(Sgd.) BARING BROTHERS & CO.

To this I made the following reply:

PORTLAND HOTEL,
Gt. Portland St.,
London, Aug. 2nd, 1882.

MESSRS. BARING BROTHERS & CO.

SIRS:

I am in receipt of yours of the 31st ult., and have noted its contents, particularly the closing sentence, in which you state, "We will, if it is so desired by the Provincial Government, and the 'Nova Scotia Railway Company' assent thereto, hold the money received for account of the Government."

I may state that the Nova Scotia Government fully expected and understood that the equivalent of one million and seventy-eight thousand pounds sterling in Bonds, Debentures or Stocks of any one or more of the Governments of Great Britain, France, the United States or the Dominion of Canada, would be deposited with *you* before the guarantee should be executed by me and delivered to you, in accordance with my instructions under Minute of Council approved by the Lieut.-Governor. I do not, therefore, apprehend that there will be any objections to these securities being held by you for the purposes intended.

I am, &c.,

(Sgd.) SAML. CREELMAN.

Being informed by Mr. Plunkett that Messrs. Baring Brothers & Co. wished to have the Bonds endorsed, but held by me, so as to have them ready for delivery immediately after the securities were deposited with them, and that my letter seemed to indicate that I would not sign the guarantee until after the deposit of the securities was

made, which would cause some unnecessary delay, upon the request of Mr. Plunkett, I addressed a note to Messrs. Baring Brothers & Co., of which the following is a copy :

PORTLAND HOTEL,
Grt. Portland St.,
London, 23th August, 1882.

MESSRS. BARING BROTHERS & CO.

SIRS:

Having understood that my letter of the 2nd inst., addressed to you, seemed to indicate something different from the terms of my instructions, contained in the Minute of the Governor in Council of Nova Scotia, dated 18th May, 1882, I now request the withdrawal of the same.

I am, &c., &c.,
(Sgd.) SAML. CREELMAN.

On the 12th inst., Messrs. Markby, Stewart & Co. wrote me as follows:

MARKBY, STEWART & CO.,
57 Coleman St.,
London, E. C., 12th September, 1882.

THE HONORABLE S. CREELMAN,

"Nova Scotia Railway Company."

DEAR SIR:

We now send you herewith the draft form of certificate and coupon of the perpetual guaranteed stock and interest.

We also send you the draft first mortgage deed in favor of Government. This draft, as you are aware, was prepared by the Government, but we have added to it a clause—No. 24—which it is proper should be submitted for approval.

We shall be obliged by your returning the drafts as approved on behalf of the Government at your early convenience.

We remain, &c., &c.,
(Sgd.) MARKBY, STEWART & CO.

As you were appointed about this time to take my place, and I was instructed to do nothing until your arrival here, all business in connection with the Syndicate has been suspended. I now hand over to you a copy of the assignment, which was executed in triple, the draft form of certificate and coupon of the perpetual guarantee stock and interest, and the draft form of mortgage Deed in favor of the Government, with the hope that you will have the pleasure of completing the business to the satisfaction of all parties interested in the scheme.

I have, &c., &c.,
(Sgd.) SAML. CREELMAN.

On Friday, the 29th Sept., I went, by request of Mr. Plunkett, with him and Mr. Stewart, of the law firm of Messrs. Markby and Stewart, Solicitors of the Company, to Messrs. Barings' office where we had a full discussion of the requirements of the Order in Council; and I very soon discovered that the Messrs. Barings did not expect to find any funds, and were not disposed to assist the Company in procuring the Bonds which the Order in Council required to be deposited before the guarantee of the Government could be given; and in fact the senior of the firm present stated that he did not see how the Bonds were to be obtained, unless some person outside of their firm was prepared to furnish the funds necessary to purchase them.

I pointed out to him that that was matter between them and the "Nova Scotia Railway Company," and, while I was most anxious to proceed with the business and carry it out in accordance with the terms of the Statute, and would be ready at any time to discuss the points of difference as they were reached, I was disposed to think the Government would require a deposit of some kind of interest-bearing securities instead of money. I could, however, assure all parties concerned that the Government having decided to carry out the legislation in good faith, they were ready to assist the Company as far as possible, while keeping within the meaning of the Statute; and I would be disposed to consider any proposition either the Messrs. Barings or the Company had to make, having in view the substitution of some other interest-bearing deposit for the Bonds named in the Order in Council; and, if the Company desire it, I would forward any proposal they had to make to the Government, and await their instructions. This seemed to be satisfactory, and the conference closed on the understanding that the matter would be considered by the Company, and a decision reached at an early day.

On Saturday, the 30th of September, I wrote the Secretary of the Company the following letter:

LONDON, 19 SACKVILLE STREET,
Sept. 30th, 1882.

SIR:

Having been appointed by Order in Council, dated 13th September, 1882, Agent of the Government and Province of Nova Scotia, in the place and stead of the Hon. Samuel Creelman, and invested with all the requisite powers and authorities to carry out the necessary details of Chap. 20 of the Statutes of Nova Scotia, 1882, including the guarantee of interest on the securities of the "Nova Scotia Railway Company" as provided by the said Act; I deem it my duty to inform you, that so soon as the "Nova Scotia Railway Company" shall have deposited with Messrs. Baring Brothers & Co. the equivalent of one million and seventy-eight thousand pounds sterling in Bonds, Debentures, or Stocks of any one, or more, of the Governments of Great Britain, France, the United States, or the Dominion of Canada; together with the capitalized amount of the sinking fund payment provided and arranged to be made under the notice; and upon the terms of clause 25 of said agreement; and also furnished such other sufficient security as provided in clause 13 of said agreement, I shall be prepared to proceed with the work in accordance with the requirements

of the Statute, and guarantee on behalf of the Province and Government of Nova Scotia; the interest on the securities of the "Nova Scotia Railway Company" which is authorized, and provided to be given by the said Act. I beg to forward you herewith a certified copy of the "Royal Gazette Extraordinary," issued on the 11th of September, Incorporating the "Nova Scotia Railway Company."

I am, &c.,

(Sgd.) W. B. VAIL.

MOORGATE STREET CHAMBERS,

London, 2nd Oct., 1882.

THE HON. W. B. VAIL,

19 Sackville St., W.

"Nova Scotia Railway Company."

SIR:

I beg to acknowledge receipt this day of your letter of the 30th ult., with certified copy of "Royal Gazette Extraordinary," issued on the 11th September, incorporating this Company, and I will submit the same to the Board of Directors at the first opportunity.

I am, Sir, &c.,

(Sgd.) SYDNEY J. SMITHERS.

On Monday I called again on Mr. Smithers and was informed that Sir Henry Tyler was in Switzerland, and that nothing could be done till he returned, which would be about the 8th inst. On Thursday, the 5th October, after I had closed my letters to the Government, Mr. Plunkett called and informed me that the London Directors would not meet for the transaction of business till the number of Directors in Nova Scotia had been reduced to two, which I communicated to the Government on the same day with a request that they would consider the subject and forward me their decision as early as possible. I also received a draft copy of a letter from Mr. Plunkett which he stated would be satisfactory to the Barings if I would agree to it; but as no provision was made in the letter for securing the Province against loss of interest, I could not approve of it. As you will doubtless remember, I forwarded a copy of this letter for the consideration of the Government.

On Saturday, the 7th, I was informed that Sir Henry Tyler had returned to the City and I decided to call on him, which I did, at 12 o'clock the same day, when he assured me that he was anxious to further the business in any way he could, but he knew nothing whatever about the financial arrangements, that he had accepted the position on the understanding that Mr. Plunkett would find all the funds necessary for the undertaking; he might, however, tell me that it was quite impossible to make any progress until the Government consented to a reduction of the Directors in Nova Scotia.

On Monday, the 9th, I received a letter from Messrs. Baring Bros. & Co. of which the following is a copy, demanding repayment of the

£52,000 advanced by them in November last, which I acknowledged and forwarded to you by the first mail after receiving it :

LONDON, 9th Oct., 1882.

THE HON. W. B. VAIL,
19 Sackville St., W.

SIR :

The delay which has occurred in delivering to us the guarantee of the Government of Nova Scotia of £46,200 per annum being, as it appears to us, unreasonable, and much exceeding what we were led to expect when the sum of £52,000 was deposited by us with the Government in November last, and as it appears moreover that the Government now requires a further payment by way of deposit beyond what was originally stipulated for as a condition of the delivery of the guarantee, we have now to demand repayment of the amount deposited by us with interest at the rate of 5 per cent. You will remember that by the terms of the original receipt and of the Act of Legislature, the deposit was repayable, if the Act was not passed, by the 1st February in the present year, and the Act not having been passed by that date, we consented to postpone our rights to immediate repayment on the condition that the guarantee should either be delivered to us by the 1st May or the deposit be then repaid to us. That date has now long elapsed and (in view of the new attitude assumed by the Government) we have come to the conclusion, in pursuance of our letter of the 31st July, addressed to the Provincial Secretary, that we must now demand repayment of our deposit as agreed.

We remain, &c., &c.,

(Sgd.) BARING BROTHERS & CO.

The following is a copy of the reply sent to the above :

19 SACKVILLE STREET,

October 10th, 1882.

GENTLEMEN :

I beg to acknowledge the receipt of your letter of the 9th inst., demanding repayment of the £52,000 deposited with the Government of Nova Scotia, in November last, as the security mentioned in the agreement of the 6th September, 1881.

I shall forward your letter to the Provincial Secretary, by the Mail which leaves here on Thursday next, and I think I can assure you that the subject referred to will be forthwith considered by the Government, and a reply sent at an early day. In the meantime, as you have referred to the new attitude, which, you say, has been assumed by the Government, as one of the reasons for demanding repayment of the sum on deposit, you will, perhaps, in order that there may be no misunderstanding, in regard to the position of the Government, pardon me if I take advantage of this opportunity to assure you that they are not disposed to make any unreasonable demands of the Company, or throw any obstacles in the way of an early completion of the terms of the agreement; on the contrary, the Government are most anxious to assist

the Company where they can do so, while keeping within the lines of the Statute; which, of course, they feel bound to do. And I may further remark that in view of the notice given by the Government to the Company, and acknowledged by them on the 27th of November last, the latter will hardly be justified in objecting to the deposit of the sinking fund capital.

I remain, &c., &c.,

(Sgd.) W. B. VAIL,

Agent of the Govt. of N. S.

MESSRS. BARING BROS. & Co.

On Wednesday, the 11th, I called on Mr. Stewart, who was the Solicitor of the Barings, as well as of the Company, and explained to him that, inasmuch as the £52,000 advanced by the Messrs. Baring Bros. & Co. had been transferred to, and made available to the purposes of the "Nova Scotia Railway Company," I did not see, even if the Government felt disposed to return the money, how they could do so without the consent of the Chartered Company, in which view he concurred. On the 14th I wrote the Secretary the following letter:

19 SACKVILLE STREET,

14th Oct., 1882.

SIR:

I beg to enclose, herewith, for the information of the "Nova Scotia Railway Co.," a copy of a letter received from Messrs. Baring Bros. & Co., on the 10th inst. You will observe that Messrs Baring Bros. & Co., for the reasons therein stated, demand repayment of the £52,000 deposited with the Government of Nova Scotia in November last.

I was under the impression that the £52,000 had, by the assignment of the Provisional Company, been made available to the "Nova Scotia Railway Company," but it would appear from the letter of the Messrs. Barings, they take a different view of it.

I am, &c., &c.,

(Sdg.) W. B. VAIL.

S. J. SMITHERS, Esq.,

Sec'y. of N. S. Ry. Co.,

On the 18th, I received the following acknowledgement from the Secretary:

MOORGATE STREET CHAMBERS,

18th Oct., 1882.

"Nova Scotia Railway Company."

SIR:

I beg to acknowledge receipt of your letter of the 14th October, with enclosure, and will bring the same before the Directors in due course.

I am, &c., &c.,

(Sgd.) SYDNEY J. SMITHERS.

HON. W. B. VAIL.

19 Sackville Street.

Notwithstanding I had placed in the hands of the Secretary the Proclamation granting a Charter to the "Nova Scotia Railway Company," as Mr. Plunkett appeared to be looked to, as working in the interests of the Company, I called on him on Tuesday, the 17th Oct., and strongly urged immediate action, when he assured me the financial arrangements were progressing favorably, and that by the first of the following week he hoped to be in a position to claim the guarantee. Not hearing from the Secretary of the Company in reply to my letter of the 30th Sept., beyond an acknowledgement of the receipt thereof, I called on the 20th of October, at the office, to ask when I might expect the Company would be ready to proceed with the business, and was informed that the Directors would do nothing till the question of the Nova Scotia Directors was settled. As I had not heard from the Government in reference to this matter, I decided to ask Mr. Plunkett to write me fully on the subject, giving the reasons why the Company desired the change, &c., &c., and I accordingly wrote him the following letter:

19 SACKVILLE STREET,

October 23rd, 1882.

DEAR MR. PLUNKETT:

It is my intention to write to the Government again this week in reference to the request of the "Nova Scotia Railway Company" to be allowed to drop two of the Nova Scotia Directors; but before doing so I think it better, in order that the Government may fully understand why the Company object to the present number, that you, or the Secretary, should write me on the subject, giving the reasons why the Company desire the change, and stating that they decline to organize (if such is the fact) or proceed with the business, till the number of the Nova Scotia Directors is reduced from four to two. If you will be good enough to send me this letter to-night, or early to-morrow, I will forward it by the Mail which leaves here on Thursday next. In the meantime, I remain, &c., &c.

(Sgd.) W. B. VAIL.

E. W. PLUNKETT, ESQ.,
Queen Ann's Mansions,
Westminster.

The following is Mr. Plunkett's reply:

LONDON, 24th Oct., 1882.

DEAR SIR:

In reply to your request of yesterday I now have to say that the Directors of the "Nova Scotia Railway Company" here have stipulated from the first that it was absolutely essential, as the Company's capital will all, or nearly all, be obtained in London, that the control and management of the capital and of the Company's general policy should be vested in the London Directors. The only way that could be effected practically under existing legislation is by having a quorum (3) of the Board in London, and less than a quorum in Nova Scotia or elsewhere. To this stipulation of the London Directors I was obliged to consent

because I could not help myself, and also because it was in my opinion fair and reasonable that the persons finding the capital should exercise control. The London Directors have decided to take this stand and I hope therefore the Government will concur, as I can get nothing concluded absolutely by the Company, as a Company, until the number of Nova Scotia Directors is reduced to two. I am advised that Mr. Lovitt and Mr. Duffus have intimated their willingness to resign, and therefore the difficulty may be considered practically ended as far as the Directors themselves are concerned; but of course there is further the consent of the Government to the reduction which no doubt the Company desire to have. We are now waiting to receive the Government's approval of the form of 4 per cent. guaranteed Debenture Stock sent you some time ago, and also to know if you are authorized to write Messrs. Baring the letter, a draft of which I handed you some time ago.

I would add the sinking fund amount will be duly paid by the Company in accordance with the Act, and that the demand made on Messrs. Baring for that amount seems beyond the terms of the Act, and therefore inadvisable to press upon them.

I remain, &c., &c.,

(Sgd.) E. W. PLUNKETT.

THE HON. W. B. VAIL,
19 Sackville Street,
Piccadilly.

To this letter of Mr. Plunkett I replied as follows:

19 SACKVILLE ST.,
25th Oct., 1882.

DEAR MR. PLUNKETT:

I am in receipt of yours of the 24th inst., and shall forward a copy of it to the Government by the Mail which leaves here to-morrow.

Referring to the subject of the closing paragraph of your letter, I am at a loss to understand why Messrs. Baring Bros. & Co. should object to that part of the Order in Council which requires the sinking fund capital placed in their hands before the Provincial Guarantee is given; but if they are obdurate on that point, it seems to me the objection may easily be removed, provided the Company are prepared to do their part.

As I understand the instructions, the material thing is to have the money placed in some reliable Bank, subject to the order of the Provincial Government; and if the "Nova Scotia Railway Company" think proper to remove the grievance complained of, they can do so by placing the capital of the sinking fund in the Bank of England or some other safe Banking institution here, at the credit of the Nova Scotia Government; instead of with Messrs. Baring Bros. & Co. If the Company think proper to take this course, I think I am safe in saying the Government will consider the terms of the Order in Council in that particular, as having been complied with.

I am, &c., &c.

(Sgd.) W. B. VAIL.

E. W. PLUNKETT, Esq.

On the 24th I wrote again to the Secretary, as follows

19 SACKVILLE STREET,

Oct. 24th, 1882.

SIR:

Referring to my letter of the 30th ultimo, acknowledged by you on the 2nd inst., I beg to say that I am exceedingly anxious to proceed with the work which devolves on me as the agent of the Government of Nova Scotia; and I shall be glad to be informed at your earliest convenience when the Company will be prepared to comply with the terms of my letter, as it is very important that I should be able to return to Halifax by the steamer of the 2nd or 9th proximo at the latest.

I am, &c., &c.,

(Sgd.) W. B. VAIL.

SYDNEY J. SMITHERS, Esq.,
Sec'y. of N. S. Ry. Co.,
30 Moorgate Street.

On the 26th I received the following reply:

MOORGATE CHAMBERS,

London, E. C., 25th Oct., 1882.

"Nova Scotia Railway Company."

SIR:

I beg to acknowledge receipt of your letter of the 24th inst., enquiring when the Company will be prepared to comply with the terms of your letter of the 30th ultimo.

Before I call a meeting of the Directors to consider your letter, I shall be obliged if you will advise whether, on behalf of your Government, you agree to the permanent withdrawal of two of the Nova Scotia Directors, and approve of the form of Debenture, Stock Certificate and Mortgage sent to the Government some weeks since; and whether you are also prepared to give the guarantee on the terms of the Act.

I am, &c., &c.,

(Sgd.) SYDNEY J. SMITHERS.

THE HON. W. B. VAIL,
19 Sackville St., W.

To the above I sent the following reply:

SUFFOLK HOUSE,

Pal Mall, Oct. 26, 1882.

SIR:

I am in receipt of your letter of the 25th inst., and regret that I am not, at the present time, in a position to give you the decision of the Government in reference to the reduction of the number of Nova Scotia Directors. I wrote the Government on the 5th inst. on the

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W. B. VAIL.

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subject, and am daily—I may say hourly—expecting an answer from them, which I shall transmit to you immediately on receipt, for the information of the Company. In the meantime I have been hoping that the London Directors would meet and authorize you to inform me that the Company would be prepared to comply with the terms of my letter of the 30th ultimo within a limited time; or, am I to understand, as your letter would seem to indicate, that the Company positively decline to organize, or meet at all for business, till this question of the Directors is agreed to? If so, I think you should write me immediately to that effect, in order that I may impress upon the Government more strongly, if possible, than I have already done, the necessity of an early answer. I also hope to have a reply from the Government in a few days, in reference to the Debenture, Stock Certificate and Mortgage; but, as these are mere questions of detail, it would seem, they are not at the present moment so important as the question of the proposed reduction of the Nova Scotia Directors. In regard to the closing paragraph of your letter, in which you ask whether I am “prepared to give the guarantee on the terms of the Act?” I beg to refer you to my letter of the 30th ultimo, in which I stated that on the fulfilment of the conditions therein specified, I shall be prepared to guarantee, on behalf of the Province and Government of Nova Scotia, the interest on the securities of the N. S. Ry. Co., which is authorized by the said Act.

1 am, &c., &c.,

(Sdg.) W. B. VAIL.

S. J. SMITHERS, ESQ.,
Sec'y. of N. S. Ry. Co.,
Moorgate St. Chambers,
London, E. C.

On the 28th Mr. Smithers replied as follows :

MOORGATE STREET CHAMBERS,
London, E. C., 28th Oct., 1882.

"Nova Scotia Railway Company."

SIR :

I am in receipt of your letter of the 25th inst. Without consulting the Directors, I am able to state that they make it a *sine qua non* that there shall only be two Nova Scotia Directors of the Company.

I am, Sir, &c.,

(Sgd.) SYDNEY J. SMITHERS.

THE HON. W. B. VAIL,
Suffolk House,
Pall Mall, W.

On the 29th of October Mr. Plunkett called at my quarters, and informed me that the money required for the undertaking was all arranged for; that the whole capital of \$10,000,000 would be subscribed immediately, and in a day or two we should be able to proceed with

the business and bring it to a close. I then referred to the sinking fund capital, and asked why he was so careful in writing to state that the sinking fund would be paid in accordance with the Act; while, in speaking of it, he never failed to assure me there would be no disagreement in respect to that part of the business, as the Company were quite willing to pay it. I then said: Am I to understand that the sinking fund capital will be paid out of this money you say you have arranged for, and before the guarantee is demanded? He replied: "Most certainly, as it is a good investment, and will give the Company five per cent. for their money, which is, without doubt, a good thing."

On the 3rd of November I received a cable message from you, instructing me to ask the Company to state briefly the points in which they claim Government demands exceed contract, and, on the same day, 3rd Nov., I wrote Mr. Smithers, as follows:

LONDON, Nov. 3rd, 1882.

SIR:

I wrote the Nova Scotia Government, some time ago, that I was led to believe the "Nova Scotia Railway Company" would ask a modification of the requirements of the Order in Council of the 13th September, and with a view no doubt of facilitating the business, they yesterday sent me a cable message to ask the Company to state in writing, briefly, the points which they claim Government demands exceed contract, and I shall be very much obliged if the Company will furnish this information as early as possible, in order that I may cable it to the Government.

I am, &c., &c.,

(Sgd.) W. B. VAIL.

SYDNEY J. SMITHERS, Esq., Sec'y. of N. S. Ry. Co.

Almost immediately after I had mailed the above letter, I received a cable message from the Government in reference to the reduction of the N. S. Directors, and I wrote the Secretary again on the 3rd Nov.:

LONDON, Nov. 3rd, 1882.

SIR:

I am instructed by the Government of Nova Scotia to inform the "Nova Scotia Railway Company" that the Government will assent to the request of the Company to be allowed to reduce the number of Directors in Nova Scotia from four to two, provided the Company will agree in writing that the Act of Incorporation, and all other Acts in connection with it, shall be so amended at the next sitting of the Nova Scotia Legislature, as to give the Government of the Province, for all time to come, the appointment of the two Directors for Nova Scotia.

I am, &c., &c.,

(Sgd.) W. B. VAIL.

SYDNEY J. SMITHERS, Esq.,

Sec'y of N. S. Ry. Co.

Moorgate Chambers,
E. C.

On the 4th Nov. I received an acknowledgement as follows :

MOORGATE STREET CHAMBERS,
London, E. C., 4th Nov., 1882.

"Nova Scotia Railway Company."

SIR :

I beg to acknowledge receipt of your two letters of the 3rd inst., which I will lay before the Directors as soon as possible ; meanwhile will you kindly furnish me with a copy of the Order in Council of the 13th Sept. which I do not appear to have received, and also with the draft of the letter which Messrs. Barings required, and which draft was handed you by Mr. Plunkett.

I am, &c.,

(Sgd.) SYDNEY J. SMITHERS.

HON. W. B. VAIL.

On the 7th November I again wrote the Secretary :

LONDON, Nov. 7th, 1882.

SIR :

I beg to acknowledge receipt of your letter of the 4th inst., and in compliance with your request, I now enclose herewith a copy of the Order in Council of the 13th September, together with a copy of the proposed letter to Messrs. Baring Bros. & Co. which was handed me by Mr. Plunkett.

I shall be glad to receive the information promised in your letter of the 4th inst. as early as possible, and I shall also be glad to be informed if the Company are satisfied with the terms on which the Government consented to a reduction of the number of the Nova Scotia Directors.

I am, &c., &c.,

(Sgd.) W. B. VAIL.

SYDNEY J. SMITHERS, Esq.,

Sec'y. of N. S. Ry. Co.,

30 Moorgate Street.

On the 9th the Secretary replied as follows :

MOORGATE STREET CHAMBERS,
9th Nov., 1882.

"Nova Scotia Railway Company."

HON. W. B. VAIL,

SIR :

I have to acknowledge the receipt of your letter of the 3rd inst., informing me that the Government of Nova Scotia will assent to the request of the Company to be allowed to reduce the number of Directors in Nova Scotia from four to two, provided the Company will agree in writing that the Act of Incorporation, and all other Acts in connection

with it, shall be so amended at the next sittings of the Nova Scotia Legislature as to give the Government of the Province for all time to come the appointment of the two Directors for Nova Scotia.

I will submit this letter to the Board at their next meeting; but in the meantime I may say, after consulting with the chairman, that I have no doubt the arrangement proposed will be considered satisfactory, and that the Company will give the written undertaking required.

I am, &c., &c.,

SYDNEY J. SMITHERS.

On the same day I received the following letter in reply to mine of the 3rd of November:

MOORGATE STREET CHAMBERS,
London, E. C., 9th Nov., 1882.

"Nova Scotia Railway Company."

THE HON. W. B. VAIL.

SIR:

In reply to your letter of the 3rd instant requesting this Company to state in writing, briefly, the points which they claim Government's demands exceed contract. I beg to inform you that the Company object to the terms of the Order in Council of the 13th September, 1882, on the ground that it is clearly in excess of the Agreement of the 6th September, 1881, and the Act ratifying same. The Company maintains:

1st. That the Order exceeds the said Agreement and Act in requiring the payment of about six and one-half millions of dollars, before the delivery of the guarantee, instead of five and one-half millions as stipulated in the receipt, and:

2nd. That the Order also exceeds the said Agreement and Act in requiring "further security" beyond the five and one-half millions of dollars referred to in the receipt forming part of the Act, and the first Mortgage of the Railways.

In respect to the first point it is evident that the receipt expressly modifies and defines the Agreement, and that the only reading of which the Act is capable absolutely establishes the view that on the payment or application of a sum of at least five and one-half millions of dollars the Province formally undertook to deliver its guarantee.

With regard to the 2nd point the Company alleges and can shew that the Government did agree after considerable discussion, and before the payment of £52,000 on account was made and the receipt signed, that five and one-half millions of dollars cash payment by the Company (inclusive of the capitalized sinking fund) together with a first mortgage of the Railways would be considered by the Government sufficient security for the performance of the entire agreement. The Company also alleges that subsequently the Legislature not only formally in general terms ratified the Acts of the Government in this matter, but that it furthermore shewed its complete approval and understanding of the arrangement made by ratifying the terms of the receipt which pro-

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From the above you will observe that strictly speaking the Company claims that under a formal contract with the Province, the payment or application of a sum of at least five and one-half millions of dollars to the purposes of the Agreement absolutely entitles the Company to the delivery of the guarantee; and further that when the Company gives the first mortgage of its Railways to further secure the Government, then full security for the entire performance of the Company's Agreement will have been given. Such is the strict construction of the Legislation, and the action of the Government must determine whether the Company will be obliged to insist upon its strict rights.

In conclusion I would point out that the five and one-half millions cash, and a first mortgage on the property, must certainly be considered fair and ample security, as sufficient cash would be provided thereby to acquire the existing lines, and to pay the Government bonus, as well as to deposit as caution money at least 20 per cent. of the entire cost of the repairs and new works which the Company has agreed to carry out.

I am, &c.,

SYDNEY J. SMITHERS,

Secretary.

On the 10th of Nov. the Secretary again wrote, as follows :

MOORGATE ST. CHAMBERS,

10th Nov., 1882.

"Nova Scotia Railway Company."

SIR :

Referring to my letter to you of the 9th inst., I beg now to send you herewith copy of a letter received from Mr. Plunkett, and of the correspondence enclosed by him. I think his correspondence clearly bears out the Company's argument that they are entitled to the delivery of the Provincial Guarantee as soon as five and one-half millions of dollars are provided by them for the purposes of the agreement.

I am, &c.,

SYDNEY J. SMITHERS..

(COPY.)

LONDON, 10th Nov., 1882.

SYDNEY J. SMITHERS, ESQ.,

Secretary of the Nova Scotia Railway Co.,

London.

SIR :

Referring to the question of security for the agreement of 6th Sept., 1881, with the Government of Nova Scotia, which, as you advised me, is now under discussion between you and the Honorable W. B. Vail, I

beg to send you herewith copies of the cable correspondence which took place between the Government and myself, last year, on that matter. From that correspondence you will see that the question of security was fully discussed and mutually agreed upon before any payment of money under the agreement was made. There can be no doubt, from the cable correspondence, that the Government agreed and determined that cash payments to the extent of five and one-half millions of dollars, and a first mortgage in favor of the Government, would be accepted as "*sufficient security*" for the fulfilment of the agreement of the 6th Sept., 1881. On the faith of the understanding arrived at in the cable correspondence, the sum of fifty-two thousand pounds being the first payment provided for in the agreement, was paid by the Provisional Company, and a receipt for the same was given by the Government, which practically embodied the understanding respecting security and other matters covered by the cable correspondence. This receipt, besides being an ordinary document acknowledging the receipt of money, is also, as expressly stated therein, a definition, modification and extension of the agreement of 6th September, 1881, for a consideration. It is, therefore, in effect, a supplementary agreement. By reference to it you will observe that the previous arrangements made with the Government by cable (whereby five and one-half millions of dollars was agreed and settled and determined upon as sufficient security for the agreement of 6th September), were in the receipt provided to be carried out in the most practical and effective manner possible, viz.: By the stipulation whereby the Province bound itself absolutely that the guarantee "shall be deliverable" when at least five and one-half millions of dollars was paid or applied, &c. The receipt, which thus practically carried out the arrangements previously made with the Government, was subsequently approved and ratified by legislation, and is now the law of the Province.

In conclusion, I submit there can be no dispute or question. That payment of five and one-half millions of dollars cash and a mortgage was agreed upon—before any money was paid—by the Government as "*sufficient security*."

That the Government, acting for the Province, gave a receipt for money paid embodying practically the above arrangement and agreement, and the Legislature has formally ratified the same.

That if the Legislature intended the guarantee should *not* be deliverable until *more* than five and one-half millions was provided, it would not have ratified the receipt.

That the Government have no option but to deliver the guarantee when the five and one-half millions is provided.

That security or payments in excess of the five and one-half millions and the mortgage must be, if required, a matter of mutual agreement between the Company and the Government.

I remain, &c.,

(Sdg.) E. W. PLUNKETT.

"Nova Scotia Railway Company."

COPY OF CABLE CORRESPONDENCE BETWEEN MR. PLUNKETT AND
MR. HOLMES, PROVINCIAL SECRETARY, NOVA SCOTIA.

Plunkett to Holmes.

11th October, 1881.

Cable what amount of security Government require under clause thirteen. Make amount moderate as possible. Business doing well.

Holmes to Plunkett.

15th October, 1881.

Sufficient to produce in cash the cost of acquiring road and Government bonus; also, reasonable security further completion contract. What kind do they offer?

Plunkett to Holmes.

15th October, 1881.

Am directed to ask Government to cable specific amount they require deposited under thirteenth clause, naming separately amount cash for acquisition, and amount reasonable security further completion contract. Progress good. Syndicate can't yet make offer security. Want your requirements. Waiting answer.

Holmes to Plunkett.

16th October, 1881.

Government require, under clause thirteen, four and a half millions dollars for acquisition, and three millions for completion—in all, seven and half million cash, or equivalent.

Plunkett to Holmes.

16th October, 1881.

As security under clause thirteen, Syndicate propose to deposit whatever amount may be necessary to fully indemnify Government against all liability for acquisition. As security for completion, Syndicate think payment large sums for acquisition and bonus ample and reasonable. Want your cable to above effect.

Holmes to Plunkett.

20th October, 1881.

Look out for influence to attach to secure Eastern Railway, leaving Western Railway out. Cable price.

Plunkett to Holmes.

24th October, 1881.

Cable twentieth received. Am ignorant what influence you mean. Business here being rapidly concluded. Only difficulty is your requirements cabled sixteenth, which are considered extravagant and unnecessarily onerous. Will cable views later.

Plunkett to Holmes.

27th October, 1881.

Company want lines Nictaux, Dartmouth, Pictou, left optional with it. Syndicate assert payments clause twelve and twenty-five mortgage clause fifteen cash deposit three million for acquisition plus ten per cent. cost completion in all five and a half million cash is fair sufficient security. Hope you can cable above effect immediately.

Holmes to Plunkett.

30th October, 1881.

Nictaux may be optional, not others; Pictou probably short line, seven miles. Will consider five and a half million cash payment sufficient security. Receipts Intercolonial past three months fifty-nine thousand over same period last year.

Plunkett to Holmes.

31st October, 1881.

Your cable thirteenth satisfactory. Agreement now executed. Payment to be made within fortnight. Cable extension time for one month.

On the 11th November I wrote the Secretary acknowledging receipt of his letter with enclosures, as follows:

LONDON, 11th Nov., 1882.

SIR:

I beg to acknowledge the receipt of your letter of the 10th inst., enclosing a copy of a letter from Mr. Plunkett, together with copies of cable correspondence which passed between Mr. Holmes and Mr. Plunkett in October, 1881, on the subject of the securities for the agreement of the 6th September, 1881, which I shall forward for the consideration of the Government by the Mail of Thursday next. I shall also, notwithstanding I cabled the substance of your letter of the 9th inst. on the same day it was received, also transmit a copy of that letter to the Government by this week's mail; and I hope to be in a position in a few days to give you their reply. In the meantime I may say in regard to Mr. Plunkett's letter, I entirely dissent from his view, that the Receipt marks a new departure, and is "in effect a supplementary agreement," except on certain distinctly named points; in fact, the receipt expressly states that the agreement is "extended, modified and defined" as specified; and without prejudice to any of its other provisions.

October, 1881.
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Mr. Plunkett has omitted one very important cable message sent by Mr. Holmes, and acknowledged by Mr. Plunkett. The message referred to bears about even date with the Receipt, and I think clearly proves the Government did not intend that the payment of five and a half millions and the mortgage should be accepted as sufficient security for the performance of the contract.

I am, &c.,

(Sgd.) W. B. VAIL.

October, 1881.
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On the 17th of November I wrote again requesting an answer to my letters of the 30th of September and 24th October:

LONDON, November 17, 1882.

SIR:

Referring to my letters of the 30th September and 24th ultimo, I beg to say that it is now over seven weeks since I arrived in London, prepared at a moment's notice to endorse the Bonds of the "Nova Scotia Railway Company," and with every desire to give the Company ample time to perfect their arrangement; I have waited patiently till the present time, hoping from day to day to be informed that they had succeeded in raising the requisite Capital to enable the Company to comply with the terms of the Agreement, but, so far as I am aware, the business in that particular is no farther advanced now than it was the day I arrived in London; and I shall be extremely obliged if you will kindly inform me, as early as possible, if any satisfactory progress has been made, and, if so, when the Company will be in a position to claim the guarantee of the Provincial Government for the interest on the securities of the "Nova Scotia Railway Company" as provided in the Statute.

Hoping for an early reply,

I am,

Your Obed't. Servt.,

(Sgd.) W. B. VAIL.

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The Secretary acknowledged receipt on the same day:

MOORGATE STREET CHAMBERS,
 17th Nov., 1882.

"Nova Scotia Railway Co."

DEAR SIR:

I have to acknowledge the receipt of your letter of this date, which I will take the earliest opportunity of submitting to my Directors.

I have received from Mr. Plunkett a letter in reference to the points raised by the Government, copy of which I enclose for your information.

I am, Sir,

Your Obedt. Servt.,

(Sgd.) SYDNEY J. SMITHERS.

THE HON. W. B. VAIL.

LONDON, 15th November, 1882.

SYDNEY J. SMITHERS, Esq.,
Secretary, the Nova Scotia Railway Co.,
London.

DEAR SIR:

I am in receipt of your letter of the 13th inst., enclosing copy of the Hon. Mr. Vail's letter to you of the 11th inst. I now beg to remark in respect to Mr. Vail's letter:

That whether the Receipt is described as a "new departure" or "in effect a supplementary agreement" is not material, that its meaning and effect are really the important points; that its meaning and effect being stated in express words cannot be disputed; that the three words "extended," "modified," and "defined," in the Receipt clearly and distinctly apply to the three respective clauses following, numbered "first," "second," "third;" this is evident from not only the plain meaning of the document itself, but from its grammatical construction. The word "defined," therefore, refers to all clauses of the Agreement bearing upon payments to be made previous to the delivery of the guarantee, in fact the Receipt defines absolutely all clauses of the Agreement respecting payments before delivery of the guarantee, and this definition not only authorizes the delivery of the guarantee when five and one-half million of dollars shall have been paid or applied, but it says it *shall be deliverable*. If, therefore, as seems plain, the Legislature ratified an agreement providing that certain things "shall be" done when a fixed minimum sum shall be paid or applied, the refusal of the Executive to carry out that stipulation must have a most injurious effect on Provincial credit as well as that of the Company.

Mr. Vail calls your attention to certain cables, copies of which I omitted by mistake to send you with the others, I now enclose them herewith. These cables *when read together* with the previous ones and the Receipt (as they ought to be) do not bear out the view expressed by Mr. Vail in the last paragraph of his letter namely "that they clearly prove that the Government did not intend the payment of five and one-half millions and the mortgage should be accepted as sufficient security for the performance of the Contract." I submit that the cables now enclosed read with the others as a whole and the Receipt do distinctly prove the contrary of Mr. Vail's view above; for what are the facts as clearly shown in the cables? They are:

That the Government was asked what security it required, and it stated seven and one-half millions, &c.

That seven and one-half millions was represented by the Company as extravagant, unnecessary and onerous, and the Government then desired to know what the Company offered.

That thereupon the Company offered five and one half millions cash payments (*inclusive of the Sinking Fund payment*) and the mortgage, and requested the Government to cable concurrence to that effect, &c.

That the Government answered in general terms they would consider cash payment of five and one half millions sufficient security.

That the Company replied saying that the five and one-half millions cash payments would be satisfactory.

umber, 1882.

That the Government next cabled the notice required by the agreement for payment of Sinking Fund amount as such notice was necessary under agreement.

That then the receipt providing for the delivery of the guarantee (when five and one-half millions was provided) was signed by the Government.

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I submit, in conclusion, that the notice to pay the Sinking Fund was given before, or concurrently with the execution of the receipt, and that as that notice did not explicitly say that the Sinking Fund was to be *in addition* to the five and one half millions "cash payments previously agreed upon and settled as sufficient security," that it is very evident that the Government intended and agreed that five and one-half millions cash payments and the mortgage would be sufficient security for the contract; for if they intended otherwise it would have been so stated in the notice or receipt. But the Government and Province have practically agreed to five and one-half millions (and the mortgage as sufficient security *in the most effective manner* possible, viz: by signing and ratifying the receipt, which, beyond all doubt, provides that the guarantee shall be deliverable when at least five and one half millions are paid.

I submit, also, it is plain the Government only required five and one-half millions "cash payments as sufficient security," for these are their own words.

Yours, truly,

(Sgd.) E. W. PLUNKETT.

COPY OF CABLE.

Holmes to Plunkett.

HALIFAX, 25th Nov., 1881.

You are hereby notified that Government will require deposit in cash the sum equivalent to Sinking Fund payment according to clause 25 of Contract.

Plunkett to Holmes.

LONDON, 27th Nov., 1881.

Notice under clause 25 received.

In order to satisfy the Company that the present Government were fully justified in requiring the Sinking Fund Capital paid up before giving the guarantee I wrote the following rejoinder to Mr. Plunkett's letter:

LONDON,

November 18th, 1882.

SIR :

I beg to acknowledge the receipt of yours of the 17th inst., enclosing a letter from Mr. Plunkett in respect to the justice of the claim made by the present Government of Nova Scotia, for payment of the capital of the Sinking Fund in addition to the five and a half millions of dollars mentioned in the receipt given to Messrs. Baring Brothers & Company, on the 26th November, 1881. I fully agree with Mr. Plunkett "that the meaning and effect of the receipt are really the important points," and, in my opinion, the only points it is necessary to consider at the present time; and with a view of convincing the "Nova Scotia Railway Company" that the late Government, and Mr. Plunkett as well, long after the Receipt was given, and when the Bill for the consolidation of the Nova Scotia Railway Company was before the Legislature held views adverse to those expressed by Mr. Plunkett in his letter of the 15th instant, as to the "meaning and effect" of the receipt, I shall quote from the speeches of Mr. Holmes and Mr. Thompson, both lawyers, the former Premier of Nova Scotia, and the latter Attorney General; and also give an extract from a letter written by Mr. Plunkett, and published in a Halifax newspaper on the first February, 1882. Mr. Holmes, on the 25th January, 1882, two months after the date of the receipt referred to, when moving the second reading of the Railway Bill, in explanation of the delay which had occurred, made the following remarks, as will be seen by reference to pages 22 and 28 of the Debates and Proceedings of the House of Assembly of Nova Scotia :

PAGE 22.

Therefore the sixth of October instead of the sixth of September was the time when the contract actually took effect. Still it was thought that there would be ample time to enable the House to be called together in the month of December, or, at all events, not later than the first of January; but in a transaction involving ten millions of dollars it is not to be wondered at that the labor necessary to perfect the organization of the matter in London should take longer than was anticipated, and the fact was it did take longer, and we never felt that we were on safe ground until we found that we had £52,000 sterling in our hands. Then we felt that we might say we had a contract. Still the parties in London required time to organize their company and make the arrangements necessary for providing \$5,500,000 and also \$5,000,000 to complete their capital, and therefore the earliest possible date at which we could call the House together was the 19th of January.

PAGE 28.

Now, let me call attention to the provisions for the completion and continuous workings of these railways. I will turn to section 13 of the contract. I will not read the whole section, because it is in your hands, and you can see the parts to which I direct your attention. It is provided in this section that whenever this contract is ratified by the Legislature (I have already explained that the time limit to the first

18th, 1882.

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of February has been extended by the Company), and all the legisla-
tion necessary to carry out the contract is passed, " then the Company
shall immediately furnish such other sufficient security as the Governor
in Council may require, for the due and proper performance by the
Company of its obligations, as specified in clauses 1, 2, 3, 4 and 7,"—
that is, the whole undertaking of the Company. Now, let me turn
your attention for a moment to the 5th section of the charter of the
Company. After several other particulars, it provides that, for the
purposes of this agreement,—that is, for the working of these railways,
&c., "at least the sum of five and a half millions of dollars, as men-
tioned in the receipt hereunto prefixed, including the previous pay-
ment of £52,000 sterling," shall be paid, provided or applied by the
Company; and that the Company shall also cause to be paid, provided
or applied, such further amounts of its capital as may be required to
provide the sinking fund referred to, as well as any other provisions of
said agreement.

Now, you will observe by the terms of the contract that until se-
curity satisfactory to the Government is deposited with the Govern-
ment, no single step is to be taken to render the Province liable for a
dollar, or for any of the obligations which it assumes in the contract.
Until that money (\$5,500,000) and such other security as may be re-
quired, is deposited, we are not to assume any responsibility, whatever.
Now, that is a very important matter, and is overlooked by those who
criticise this measure. They shut their eyes to what is good, and con-
tinually harp upon the imaginary grievances that do not exist. I have
been amused at the criticisms which this measure has met, knowing
that the Government have taken such care that there is not a single
objection raised by those critics that has not been foreseen and
guarded against by the Government; and I think we have a right to
congratulate ourselves that we have so successfully closed every
avenue that they cannot find one single argument against it.

It is impossible, as I have said, that any liability can be incurred by
the Province until this security is in the possession of the Province.
Now, how has that been carried out so far? Let me for a short time
direct your attention to the receipt which is annexed to and forms
a part of this Act. When you look at that receipt you will acknowledge
that it is not very often that such a receipt has been signed on behalf
of the Province of Nova Scotia; in fact, it has never been done before;
and I don't know whether it will be ever done again. I will read the
receipt, because it is important that it should be read. It is as follows:

Received the 26th day of November, in the year of our Lord 1881,
from Messrs. Baring Brothers and Co., the sum of fifty-two thousand
pounds, sterling, being the payment referred to in the Agreement dated
the sixth of September, 1881, between the Government of Nova Scotia
and Edmund Walter Plunkett. This payment is made in consideration
of said Agreement being extended, modified and defined, by mutual
consent (and without prejudice to any of its other provisions), as fol-
lows: *First*, The time for making this payment is extended to this
date. *Second*, The construction of the new line A, specified in said
Agreement, shall be optional with the "Nova Scotia Railway Com-
pany." *Third*, The Provincial guarantee, referred to in said Agree-
ment, shall be deliverable to Messrs. Baring Brothers and Co., or order,

any time after the Legislature of Nova Scotia shall have ratified said Agreement; but not until the Government of Nova Scotia shall be satisfied that the sum of *at least five and one-half millions of dollars* cash, Canada currency, or the equivalent thereof in Government or other bonds or debentures, approved by said Government, shall have been provided for the purposes of said Agreement, and deposited or otherwise secured or applied to the satisfaction of said Government. In case of the non-ratification of the above-mentioned Agreement of 8th September, 1881, by the Legislature, the said sum of £52,000 will forthwith be repaid to Messrs. Baring Brothers and Co., with interest, at the rate of five per cent. per annum, as stipulated in the said Agreement, or Messrs. Baring Brothers and Co. will be released from their undertakings, to hold the same on behalf of the Government.

S. H. HOLMES,
Provincial Secretary.

Now, in connection with this I wish also to draw your attention to the 26th clause of the agreement, which, if anything were wanting to make this matter doubly secure, supplies that want. I will read the section; which is as follows:

26. The security provided in clauses 13 to be given by the Company to the Government shall be from time to time reduced and returned to the Company, or its assigns, as and in proportion to the completion of the Company's undertakings under this agreement (sufficient security being reserved for the final completion of such undertakings).

Now, what can be clearer than that? Is it possible that any sane man, after reading that clause, can, for a moment, contend that we have not the most ample security—security such as was never dreamed of before in contracts between the Province of Nova Scotia and the railway contractors—such as no person possessing the least common sense in the world could for a moment doubt to be ample for every purpose—for the carrying out of the purpose in all its details? It says that the money deposited in the hands of the Government as security shall be withdrawn only as the various railways constructed and to be constructed are completed, and, to finally crown the whole matter, the Government has the power to reserve sufficient security, not only for the acquiring of the old lines, but the building the new ones, and also for ensuring their working forever.

On the 31st of January, the Attorney General, who was considered one of the ablest lawyers in the Province, and who has since been appointed a Judge of the Supreme Court of Nova Scotia, spoke as follows (see page 61 of the Debates and Proceedings of the House of Assembly of Nova Scotia):

Having thus referred to that branch of the subject, I desire to address myself to an objection which has been urgently discussed within the last two or three days—as regards the bona fides of the company proposing to undertake this great work. I admit that this is a most important matter for the consideration of the house. I admit, that if the bona fides of this company cannot be established, and of the Government which this house will entrust with the execution of this contract—the house will be unwise to place in the hands of the

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Government the means of dealing so largely with that Company as the bill purposes. Let me ask then, what guarantee of good faith this Company purpose to give to the Province of Nova Scotia? We were asked the other day for a list of the shareholders of the Company. It was a novel request to ask, before the Incorporation of the Company, who the shareholders were to be, but the Hon. Member for Hants asked us who they were to be, and how much capital they expected to pay up. I propose to answer both questions. In the first place whoever the shareholders may be, and in the second place, whatever amount of capital they may pay up, before the Government of Nova Scotia shall pledge the credit of the Province to the extent of a dollar they are to pay into the treasury \$5,500,000 Canadian currency. (Applause). When they have done so we will be in a position to answer who the shareholders of this Company are and we will be in a position to tell him how much of their capital is paid up. Until they have done so the Government of Nova Scotia propose to have no transactions with them. Let me call the attention of the House to the fact that this is expressly provided in the receipt which has been laid on the table of this house and which is made by the very terms of this Act, a part of the statute itself and a part of the law of the land. This deposit is to be made either in cash, or in its equivalent to the satisfaction of the Government, before the guarantee of the Government is given at all. It was stated to the House the other day by the Hon. Member for Hants, doubtless under a mere misapprehension of the terms of the contract, that we were to give the Company our guarantee, and that they were to have a chance of acquiring the railroads and selling their bonds before this deposit should be made. It is to be somewhat regretted that the facts contained in that receipt were not more generally known for it is expressly provided in that receipt that the deposit of the money is to precede the incurring of any kind of liability on the part of this Province to this Company or to anybody else. But, further, in addition to the five and a half millions of money as has already been stated, over and over again, one of the first duties of this Company is to place in the hands of the Government a million dollars to form a sinking fund—so that whoever these gentlemen may be—whether they shall belong to that class for which the Hon. Member for Hants has such a democratic dislike, and whom he styles “the lords and dukes,” or whether they are to be common people like ourselves—the fact that we shall have \$6,500,000 of their money in the treasury, is I think, as substantial a guarantee as to who they are and what they are, and how much capital they are to pay up as this house has ever asked of any Company desiring to deal with the Government. (Cheers.)

Now it was said that the public must be on their guard with respect to this sinking fund and with regard to all that has been said in defence of the Government in relation to it because the sinking fund payment is only to be secured by mortgage, and we were only to be paid that amount in cash provided that before a certain day, now past, notice was given by the Government that the cash payment instead of the mortgage security would be called for. The Hon. Prov. Secretary has laid on the table of the House the correspondence which shows that before that day had passed the Government of Nova Scotia did call for the payment of the sinking fund in cash, and received a frank and can-

did acknowledgement of the service of that notice in return. Therefore, the obligations of the contract in relation to that sinking fund are so far complied with that we are to-day in the position that should this bill pass both Houses, and receive the assent of His Honor, before that Company shall receive the charter which we are now passing, (because it is not to become law until it is proclaimed in the "Royal Gazette," we can and will demand that whoever these gentlemen might be, lord, duke or commoner—and whatever amount of their capital may be paid up, their solid money shall be in the treasury of Nova Scotia to the extent of six and a half millions. (Cheers.)

I think the above ought to be sufficient to satisfy the Company that the present Government of Nova Scotia have good grounds for requiring the capital of the sinking fund paid up before the guarantee is given; but for the purpose of removing any doubt which may still exist in the minds of the Chartered Company as to Mr. Plunkett's own view of the "meaning and effect" of the receipt at the time the Bill was before the Legislature, I shall quote from a letter signed E. W. Plunkett, and published in the Halifax "Morning Chronicle" of February 1st, 1882, in which he states "as to their being not a dollar at bottom, I can positively assert and prove, and any intelligent person can satisfy himself by reference to the Agreement and Act now before the House, that the Company must, under penalty of forfeiture of the quarter million of dollars now in the Provincial Treasury, pay within a short time about 65 per cent. of its entire capital into the hands of the Government, or six and a half millions of dollars."

In regard to that paragraph of Mr. Plunkett's letter, in which he states "that it is very evident the Government intended and required that five and one-half millions cash payments and the mortgage would be sufficient security for the Contract," I beg to refer the Company to the closing part of the extract from the Attorney General's speech, in which he positively states "that six and a half millions of dollars can and will be demanded by the Government before the Charter is granted."

I thing this ought to be conclusive on that point.

I have the honor to be,

Your obdt. servt.

(Sgd.) W. B. VAIL.

On the 21st I received the following letter from the Secretary :

MOORGATE STREET, CHAMBERS,
21st Nov., 1882.

SIR :

"Nova Scotia Railway Company."

I duly received yesterday your letter of the 18th instant. Since I last wrote you I have been favored by Mr. Plunkett with a copy of an Order in Council under date the 18th May, 1882, of which the following is an extract :

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"That the said Samuel Creelman shall not deliver the said Provincial Guarantee in either of the forms above mentioned, or any form whatever, until the equivalent of one million and seventy-eight thousand pounds sterling cash shall have been deposited with Messrs. Baring Brothers and Company for the purposes of and subject to this order in Bonds, Debentures or Stocks of one or more of the Governments of Great Britain, France, the United States, or the Dominion of Canada, such equivalent to be ascertained by calculating said securities at the current market rate of the day of deposit."

"That upon the deposit mentioned in last clause being made the said S. Creelman shall deliver to Messrs. Baring Brothers & Company the said guarantee in any one of the two forms hereinbefore mentioned, and Messrs. Baring Brothers & Company shall then be at liberty to issue the securities bearing such guarantee or otherwise deal with the same as may be agreed between them and the Nova Scotia Railway Company."

As I am about to call a meeting of my Directors I shall be obliged if you will let me know, for their information, whether you are prepared to give the guarantee of your Government upon the terms of the order as quoted above.

I am, &c., &c.

(Sgd.) SYDNEY J. SMITHERS.

To the above I immediately sent the following reply:

LONDON, Nov. 27th, 1882.

SIR:

I have to acknowledge the receipt of your letter of to-day, in which is embodied a copy of an Order in Council, under date of the 18th May, 1882, which has been placed in your hands by Mr. Plunkett, and asking whether I am prepared to give the guarantee of the Government on the terms quoted.

In reply, I beg to say the only Order in Council I recognize or acknowledge in any way is the Order of the 13th of September last, a copy of which has been in your hands for a considerable time.

By reference to my letter of the 30th of September, you will observe I have clearly set forth the terms on which I am authorized to give the guarantee of the Government; and I respectfully submit, without acknowledging that the requirements of the Order in any way exceed the agreement, you can hardly expect the Government to state how far they are willing to modify the Order referred to, until the Company have positively declined to pay up the capital of the sinking fund, and provide the security mentioned in clause 13 of the agreement, before the guarantee is given. If you will kindly give me the decision of the Company on the above points, and state precisely what they are prepared to do, and when they will do it, I shall immediately communicate it to the Government, and give their reply.

I am, Sir, &c.,

(Sgd.) W. B. VAIL.

On the 27th of November I received the following letter from the Company, which I considered a full acknowledgement that they were unable to carry out the conditions of the agreement, and I wired the Government the substance of it:

MOORGATE STREET CHAMBERS,

London, E. C., 27th Nov., 1882.

THE HON. W. B. VAIL.

"Nova Scotia Railway Company."

SIR:

I have laid before the Board of Directors the correspondence which has passed between us, and especially your letter of the 17th inst., in which you ask to be informed if any satisfactory progress has been made in raising the requisite capital to enable the Company to comply with the terms of the agreement with the Provincial Government, and, if so, when the Company will be in a position to claim the guarantee of the Provincial Government for the interest on the securities of the "Nova Scotia Railway Company" as provided by the Statute.

I am instructed to inform you, in reply, that when the assignment of the agreement was made by the Provisional Company to this Company, the Directors were informed that all the necessary capital could be provided on the basis of the agreement. Much time, however, has been lost; first, in consequence of the delay in delivering the Government guarantee, which, under the terms of the agreement and receipt as extended by Messrs. Baring, should have been delivered to them by the 1st of May last; and, secondly, by reason of the interval, which elapsed between the execution of the assignment on the 20th of July, and the date when notification was received of the incorporation of the Company, on the 2nd of October.

The Government have also placed further difficulty, as referred to in my previous letters, in the way of dealing with the securities of the Company, by demanding, as a condition prior to giving their guarantee, the deposit, on account of the sinking fund, of an additional amount beyond that originally contemplated.

For these delays the Company has not been responsible; but partly in consequence thereof the expectations of raising the necessary capital has not, so far, been realized; and, although the portion of the capital guaranteed by the Government could easily be raised, the Directors do not see how, in the existing state of the money market, it would now be practicable to obtain, on such terms as they would consider reasonable, subscriptions to cover the balance of funds necessary for the purposes of the undertaking; and they consider that it would be more advantageous for the Government, as well as the Company, if the guarantee were extended. If such extended guarantee were given, the requisite capital would be raised on more favorable terms, and the total amount would be reduced. At the same time the Government might, in such case, reserve an interest in the ultimate profits of the undertaking—say half of the surplus profits after payment of the interest on the capital guaranteed.

I am, Sir, &c.,

(Sgd.) SYDNEY J. SMITHERS,
Secretary.

The foregoing letter from the Secretary of the Company is dated Nov. 27th; but the substance of it was communicated to me on the 24th and transmitted to the Government by cable.

On the 27th I wrote the Secretary again:

19 SACKVILLE STREET,

Piccadilly,

Nov. 27th, 1882.

SIR:

Referring to my letter of the 30th Sept., and other letters of subsequent dates, on the same subject, I beg now to inform you that, with a view of removing all possible objection the "Nova Scotia Railway Company" can have to the requirements of the Order in Council of the 13th of September last, and without admitting the demands of the Government as stated in said Order in any manner exceed the contract, and also without prejudice to the legal rights of the Government, in the event of this overture not being accepted by the Company, I am instructed to offer the guarantee of the Government on the following conditions:

1st. That the Company shall agree to pay up the capital of the sinking fund in two months from this date, or before the first day of February, 1883.

2nd. That the Company shall agree to furnish the other sufficient security, to the satisfaction of the Governor and Council, mentioned in clause 13 of the agreement, before the issue of the Proclamation transferring the several lines of Railway to the Company.

3rd. That the Company shall, within ten days from the present date, or before the seventh day of December next, deposit with Messrs. Baring Brothers and Company, for the purposes mentioned in said agreement and Act, the equivalent of one million and seventy-eight thousand pounds sterling, in Bonds, Debentures or Stocks of one or more of the Governments of Great Britain, France, the United States, or the Dominion of Canada; such equivalent to be ascertained by calculating the said securities at the current market rate of the day of the deposit, the said deposit to be held by Messrs. Baring Brothers and Company, and applied as follows:

1st. An amount of the Bonds, Debentures or Stocks forming said fund, sufficient to realize the sum of two hundred and twenty-five thousand pounds, sterling, cash, shall be disposed of to the best advantage by Messrs. Baring Brothers and Company; and said sum of £225,000 shall be paid by them to the Government of Nova Scotia, under the terms of the said recited Act, in Montreal, Canada, or London, England, at the option of the said Government, and as it may request.

2nd. The balance, after payment of the above £225,000, shall be held by Messrs. Baring Brothers and Company, and returned to the "Nova Scotia Railway Company," or its assigns, on the order of the Government of Nova Scotia, as and in proportion to the completion of Company's undertakings, as provided in section 26 of the agreement; sufficient security being reserved for the final completion of the undertakings.

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HERS,
Secretary.

If you will be good enough to inform me immediately, or before 12 o'clock on Wednesday, the 29th inst., that the Co. accept the terms offered in this letter, I shall remain in London, and carry out the work which devolves on me as the Agent of the Government, and give the guarantee referred to; otherwise I shall leave for Halifax on the steamer of the 30th inst.

I am, &c.,

(Sgd.) W. B. VAIL.

The following letter was received in reply :

MOORGATE STREET CHAMBERS,
London, E. C., 29th Nov., 1882.

THE HON. W. B. VAIL.

SIR :

"Nova Scotia Railway Company."

I have to acknowledge the receipt of your letter of the 27th instant and regret that it is not possible to give you a reply thereto, as requested, by 12 o'clock, noon, to-day, as there are several parties to be consulted upon the subject; but you may rely upon their being no avoidable delay in answering your communication.

I am, &c.,

(Sgd.) SYDNEY J. SMITHERS.

Secretary.

The Secretary wrote again on the 1st December :

MOORGATE STREET CHAMBERS,
London, E. C., 1st Dec., 1882.

THE HON. W. B. VAIL,

SIR :

"Nova Scotia Railway Company."

I have not yet been able to answer your letter of the 27th instant; but I have this morning received a letter from Mr. Plunkett, of which I enclose you a copy; and by direction of Sir Henry Tyler, I am calling a meeting of the Board for Monday next, immediately after which meeting an answer to your letter shall be sent to you.

I am, &c., &c.,

(Sgd.) SYDNEY J. SMITHERS.

Secretary.

COPY LETTER FROM MR. PLUNKETT.

130 WOOD STREET,
1st December, 1882.

DEAR SIR :

I beg to annex copy of letter received from a financial house who have undertaken to syndicate the Nova Scotia Company's entire capital. The firm in question is known to Mr. Stewart, and it is, I am

informed, considered to be experienced and capable in that sort of business. In view of these and other important negotiations now pending, and the long delay I have had to submit to on account of Government action and inaction, I beg now, respectfully, to ask the Company to represent the matter to Mr. Vail, and request him to postpone his departure until at least the 15th December, to give time for the negotiations to be concluded, one way or another.

I remain, &c.,

(Sgd.) E. W. PLUNKETT.

(Sgd.) S. J. SMITHERS, Esq.,
&c., &c.

COPY LETTER ANNEXED TO THE ABOVE.

LONDON, 28th Nov. 1882.

E. W. PLUNKETT, Esq., &c., &c.

Re "Nova Scotia Railway Company."

DEAR SIR:

The matter you have kindly submitted to us has had not only our careful consideration but also that of a powerful financial group in Paris, with whom we are associated.

Our dual opinion is strongly in favor of being able to form the needed Syndicate; the final decision, in our opinion, rests only on the arrangement of financial terms and price; by that we mean the necessary margin for the Syndicate.

We have a telegram this morning from Paris that a special delegate is to arrive to-morrow on behalf of the French people.

The business having advanced to this point it is imperative that you kindly write to us, placing the matter in our hands for negotiation for one month from present date. You may rest assured we shall lose no time in bringing it to an earlier issue of possible.

Yours, &c., &c.,

MR. PLUNKETT'S NOTE UPON THE ABOVE.

NOTE.—The time required above, i. e., "one month" was refused, and two weeks given instead.

(Sgd.) E. W. P.

After receipt of the Secretary's letter, dated the 1st instant, informing me that Mr. Plunkett was urging the Company to ask for further delay I wrote the following letter:

19 SACKVILLE STREET,

Piccadilly,

Dec. 2nd, 1882.

Sir:

I have to acknowledge the receipt of yours of the 1st instant, enclosing a copy of a letter from Mr. Plunkett, together with an unsigned communication from some financial house in London, who, Mr. Plunkett states, has undertaken to syndicate the Nova Scotia Railway Company's Capital.

It is to be regretted that Mr. Plunkett did not see his way clear to give the name of the firm he is negotiating with, as it would doubtless have placed Sir Henry Tyler and the Company in a better position to judge of how far they can rely on Mr. Plunkett's expectations being realized; that, however, is a matter between the Company and Mr. Plunkett, who, since the assignment of the Agreement and Contract to the chartered Company on the 20th of July last, has ceased to hold any position in connection with the enterprise which can be recognized by me. And the Government must consequently hold the chartered Company responsible for carrying out the Contract.

Referring to that paragraph of your letter of the 27th ult., in which you say "the Government have placed further difficulties (as referred to in my previous letters) in the way of dealing with the securities of the Company, by demanding as a condition, prior to giving the guarantee, the deposit, on account of the sinking fund, of an additional amount beyond that originally contemplated," I beg to remind the Company, that notwithstanding I wrote you on the 30th of September, and stated explicitly the terms on which I was authorized to give the guarantee, which letter you acknowledged the receipt of on the 2nd of October, it was not until the 9th of November (the only letter you referred to the sinking fund in), and after I had particularly asked by request of the Government for information on this point, that you even hinted the Company objected to the terms of the Order in Council, and I think it is now too late for the Company to put that forward as one of the reasons why they are not in a position to comply with the requirements of the contract.

Since the receipt of your letter of yesterday, I have carefully examined all the letters received from you since the Charter was granted to the "Nova Scotia Railway Company," and was somewhat astonished to find that the Directors have never yet intimated they had made the slightest progress, or in fact were prepared to do anything; and I really think, I maybe pardoned for saying, if they have come to the conclusion, as I infer from your letter of the 27th ult., they have, that the money cannot be raised, except at too great a sacrifice, they ought to state more frankly and positively than they have yet done, that they decline to undertake to raise the Capital required without a further guarantee of the Government.

As I stated in a former letter, I am exceedingly desirous that the Company should have every reasonable, and I may add, possible opportunity to fulfil their part of the Contract; and as a further proof of this I now beg to say, if the Directors, at the meeting on Monday next, will authorize you to write me, that the Company will be prepared

to make the deposit in accordance with the terms of my letter of the 27th ult., with Messrs. Baring Brothers & Company, by Tuesday, 12th, or by twelve o'clock on Wednesday, the 13th of the present month, I shall wait till that date; but I cannot agree to extend the time on uncertainties, and expectations, which experience has taught me, are not likely to be realized.

I shall be much obliged if you will submit this letter to the Board of Directors at the meeting on Monday next, and hoping for an early reply,

I remain, &c.,

(Sgd.) W. B. VAIL.

SYDNEY J. SMITHERS, Esq.,

Sec'y. of N. S. Ry. Co.,

30 Moorgate Street.

E. C.

On the 5th of December I received the following letter, giving the decision of the Directors at the meeting on the 4th instant:

MOORGATE STREET CHAMBERS,

30 Moorgate Street,

London, E. C., 4th Dec., 1882.

THE HON. W. B. VAIL,

19 Sackville St., W.

SIR:

In reply to your further letter of the 2nd inst., and which I have laid before a meeting of the Board this morning I am instructed to say that the Board cannot admit the expressions contained in the second and third pages of the letter as accurately representing the circumstances of the case.

You refer to the previous correspondence, and you mention that it was not until the 9th November that the Board ever hinted that the Directors objected to the terms of the Order in Council.

They were, however, aware that this question formed the subject of negotiations between Messrs. Baring, Mr. Plunkett and yourself, and they did not think it necessary to place anything in writing in regard to that matter at that time.

In regard to your further statement, that since the receipt of my letter of the 1st inst., you have carefully examined all the letters received from me since the charter was granted to the "Nova Scotia Railway Company," and that you are somewhat astonished to find that the Directors have never yet intimated they had made the slightest progress, or, in fact, were prepared to do anything, I may observe that the negotiations between Mr. Plunkett and Messrs. Baring and Brothers have been continually proceeding; that Mr. Plunkett has, from time to time—as you are perfectly well aware—reported to the Board that he would be able to raise the money required, and it was not for the Board to place difficulties in his way, so long as there appeared to be any probability of his carrying the business through on the terms of the original proposal.

You have since made a further proposal, and the Company are still in the same position. Mr. Plunkett informed the Board, through Mr. Stewart, this morning, that he had great hopes of being able to carry out the arrangements.

While, therefore, the Board are sorry for putting you personally to any inconvenience by prolonging your stay here, in consequence of the delays in the negotiations, they think they cannot now do otherwise than inform you that they have given Mr. Plunkett until Monday next, to bring before them a scheme, such as they may be able to approve, in a complete form; and that, if he is unable to satisfy them by next Monday, they will then be prepared to inform you of the result, one way or the other, of such propositions as he may make to them.

I am, &c.,

(Sgd.) SYDNEY J. SMITHERS,

Secretary.

LONDON, Dec. 5th, 1882.

SIR :

I have to acknowledge the receipt of your letter of yesterday, which, I regret to say, is disappointing, and very unsatisfactory, as I had great hopes that the Directors at the meeting on Monday would resolve to give me a decided answer whether they would be prepared by Monday or Tuesday of next week to make the deposit in accordance with the terms of my letter of the 27th ultimo, or not.

You take exception, on behalf of the Company, to certain expressions in my letter of the 2nd inst., as not being entirely accurate. In reply, I think I need do no more than point to your letter of yesterday as fully admitting all my assertions. You will doubtless remember that I have, from the first, distinctly stated that, as Mr. Plunkett is not one of the Directors of the "Nova Scotia Railway Company," as now incorporated, I could not, in any way, officially recognize him; but that I must deal directly with Sir Henry Tyler, as President, through you, as Secretary, of the chartered Company.

Of course, as Mr. Plunkett, who represented the Provisional Co. before the transfer, was responsible for the management of the business up to the time the charter was granted to the "Nova Scotia Railway Company," and was admittedly working to ensure the success of the undertaking, I could not, and did not, refuse to hear, from time to time, what he chose to tell me; but you must bear in mind that the Government I represent have no interest, or concern, in the details of the financial arrangements which the "Nova Scotia Railway Company" may find it advisable to make. The results alone concerned me, and, for official information, I have all along looked not to Mr. Plunkett, but to the Company. I must, therefore, repeat that, up to the 9th of Nov., I had no intimation from the Company that they objected to the payment of the sinking fund capital; and I have further to say in reply to your letter, that, so far from my having learned from Mr. Plunkett that that objection was taken as a bar to progress, I was more than once informed by him that the payment of the capital of the sink-

ing fund was *not* an obstacle to the agreement being carried out. The only objection Mr. Plunkett ever made to that part of the Order in Council which referred to the sinking fund, was that the Government made a demand (as he put it) on Messrs. Baring Bros. for that amount, in addition to the five and a half millions. I explained to him by letter that the Government made no such demand on the Messrs. Barings; that the demand was made upon the Company, to place it in the hands of the Barings; but if the Company objected to that, and would prefer to place the money in any other reliable Bank here, I should consider the terms of the Order in Council, in that particular, as having been complied with, and as I heard nothing more from Mr. Plunkett, and nothing, whatever, from the Company on the subject till the 9th Nov., I assumed, as I think I had a right to, that this proposal was satisfactory. You take exception, also, to my saying that "the Directors never yet had intimated they had made the slightest progress." As a justification of my remark I may again quote from your letter of yesterday, in which you say "that Mr. Plunkett had from time to time reported to the Board that *he* would be able to raise the money required, and it was not for the Board to place difficulties in his way, &c.," and then you state "you have since made a further proposal," and the Company are still in the same position, which I can only interpret to mean still waiting for Mr. Plunkett. It comes, therefore, to this: In September, 1881, Mr. Plunkett entered into an agreement with the Government of N. S. to organize a company with a capital of \$10,000,000 and to undertake certain works, within a specified time. In November, 1881, a certain amount of money was lodged with the Government, as security for the fulfilment of the obligations entered into. In February, 1882, an Act of the Legislature was passed, ratifying and legalizing the agreement. In September, 1882, a Proclamation was issued, incorporating the Nova Scotia Railway Company, which had assumed the obligations of the Provisional Company. On the 29th September, I informed you that I had come to London prepared and fully authorized to give the Government guarantee provided by the Act, and now after a delay of over nine weeks, I am at last informed by the Company that they are waiting for Mr. Plunkett, who "had great hopes of being able to carry out the arrangement." Could there be any more convincing proof of the justice of my remark, that "the Directors have never intimated to me that they had made any progress whatever?" I am regretfully obliged to admit to myself, and declare to you my conviction, that the Company to whom the Government and people of Nova Scotia looked to carry out a solemn and important obligation, have, up to this time, as a Company, done nothing whatever in fulfilment of the terms of the contract, and I am bound so to report to the Government, whose Commissioner I am. As, however, you have promised me an answer, one way or the other, on Monday next, being anxious, as stated in former letters, to afford the Company every facility for carrying out their obligations, I shall wait until the time named.

I must, however, now formally declare to you that as Agent of the Government of Nova Scotia, I shall not be satisfied to receive on Monday another intimation that the Directors are waiting for Mr. Plunkett or that they hope to be able at a future date to give me a decided answer. But if the Company, with whom alone I can have official

dealings, are not, on *Monday* next, in a position to assure me that they are then prepared to lodge the stipulated money in the required form, and comply with the other requirements of the agreement and Act, as stated in my letter of the 27th of November last, I shall consider the negotiations at an end, and shall report to the Government of Nova Scotia that the Company are unable to carry out their engagements, and leave the Government to take such further steps as they may deem necessary.

I am, &c., &c.,

(Sgd.) W. B. VAIL.

SYDNEY J. SMITHERS, Esq.,
Sec'y. of the N. S. R. Co.

On the 12th December I received the following from the Secretary, giving the decision of the Directors on Monday, the 11th :

MOORGATE STREET CHAMBERS,
30 Moorgate Street
London, E. C., 11th Dec., 1882.

THE HON. W. B. VAIL.
The Terrace,
6 Church Road,
Upper Norwood.

SIR :

"Nova Scotia Railway Company."

Your letter of the 5th instant, as amended, and received this morning, has been laid before the Directors of this Company, at their meeting to-day, and they have desired me to point out to you that it is of a somewhat arbitrary character, and they hardly consider that nine weeks is a very long period in which to carry out transactions of this nature, when very much longer periods have been taken the other side of the Atlantic in carrying out previous transactions in the same business.

At the same time that they received your letter of the 5th instant, referred to, they also received a letter, of which copy is enclosed, from Mr. Plunkett. They quite agree with Mr. Plunkett, that it would be impossible at the present moment to issue to the public here, on any terms which they could consider reasonable, the unguaranteed capital placed at their disposal ; and they can only, under these circumstances, leave you to deal with the subject as you may think proper in the interests of your Government.

I am, &c., &c.,

(Sgd.) SYDNEY J. SMITHERS.

Secretary.

MR. PLUNKETT'S LETTER.

LONDON,
11th Dec., 1882.

S. J. SMITHERS, ESQ.,
&c., &c.

DEAR SIR :

I beg, respectfully, to submit for the consideration of the Directors a statement and proposal respecting the agreement with the Government of Nova Scotia.

The Statement is as follows :

That there is no provision, stipulation or condition in the agreement which requires or obliges the Company to find immediately more than £1,078,000; that is the amount required for the acquisition of the existing lines, and the payment to Government of its £277,400; the balance being an amount left on deposit as security for the completion of the agreement.

That said last named £1,078,000 can now be arranged for to the satisfaction of the Government and on the terms of the agreement, when the Government does its part.

That to carry out completely the whole agreement, according to the estimate of the Company's Engineer, there will be required *ultimately* in all the sum of £1,900,000 cash, of which about £971,000 will be wanted to acquire the existing lines, &c.; but the remaining £929,000 cannot be wanted (nor any part of it) until the existing lines are acquired and delivered, nor until the Nova Scotia Winter season has passed, and the works of repair and construction can be undertaken.

That the acquisition and delivery of the existing lines has, under the agreement, to be performed and completed by the Government, and may be difficult, tedious and uncertain, in view of which it is now neither necessary for practical purposes, nor essential, under the terms of the agreement, that the Company should go beyond its contract in an unfavorable condition of the money market for the purpose of obtaining subscriptions to its capital that are not required for an indefinite time. Moreover, it is a question whether it would be proper for the Company to solicit and accept subscriptions to its unguaranteed capital until the Government had taken the necessary steps—as it is bound to do under the agreement—to set at rest all disputes and questions as to the rights and claims of the existing companies.

The proposal I have to submit to the Directors is that they should state to the Agent of the Nova Scotia Government as follows :

That the agreement only obliges the Company to provide at the present time, and for some time to come, the sum of £1,078,000 in addition to the £52,000 already paid.

That the Company will, immediately the Government Agent delivers the guarantee, arrange for that sum as provided in the receipt.

That, in view of the uncertainty as to the time when any further amount of the Company's capital will be required under the agreement, and the admitted sufficiency of £1,078,000 for some time to come for all possible purposes, and considering the present unfavorable state of the money market, the Company do not feel that they should, or can

be, properly called upon to do more than what is practically essential at the present time: that is to arrange for the £1,075,000.

That, with respect to the subject of sinking fund and further security, which have been so often discussed between the Government Agent and the Company, the Directors firmly maintain that both these points were clearly and fully disposed of and settled by cable correspondence with the Government before the payment of the £52,000, and that they cannot now be fairly opened up again. Nevertheless, the Directors are anxious to consider and concur in the views of the Government in every way they properly and fairly can on these, as well as all other points of the agreement; and when the proper time comes for the settlement of these matters, they will be prepared to come to an amicable understanding with the Government respecting them.

I now desire to point out to the Directors that there are several ways the unguaranteed capital may be employed and realized if it cannot be sold to the public between now and the time it is wanted. It may be partly used in acquiring the existing companies, or in the purchase of £240,000 worth of rails and iron work. It may be made valuable by obtaining the guarantee of some large Railway Company in the manner now commonly adopted in exchange for traffic arrangements. It may also be made marketable by offering it for subscription at a very low price in conjunction with the guaranteed capital, or it may have some of the guarantee applied to it instead of all to one stock. Whichever of these plans is best and most feasible can only be determined by inquiry and examination, which requires yet some time.

I would also respectfully represent to the Directors that some such communication as I propose being sent to Mr. Vail is absolutely essential, not only in the interests of the Company itself, but also in those of Messrs. Barings and the Government.

It is necessary on behalf of the Company, in order to preserve it from default, and on behalf of the Messrs. Barings to save their deposit; and the Government, to enable it to pay about £200,000 liability it has incurred for the acquisition of one of the existing lines, and which amount it has no means of providing other than from the Company.

In conclusion, permit me to call the Directors' attention to the fact that, if after using every effort to obtain the capital required for the repairs and new lines (for that is all now wanted), the Company failed, such failure would be less damaging than it would be now at the very commencement; and the only result would be the postponement, until more favorable times, of those works, or another arrangement with the Government for an additional guarantee.

Yours, &c.,

(Sgd.) E. W. PLUNKETT.

THE H

SIR :

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MOORGATE STREET CHAMBERS,
30 Moorgate Street,
London, E. C., 13th Dec., 1882.

THE HON. W. B. VAIL.

"Nova Scotia Railway Co."

SIR :

I am instructed by the Board of this Company to hand you, herewith, copy of letter which Messrs. Baring Brothers & Co. have to-day addressed to Mr. Plunkett, stating the arrangement which they are now prepared to make with reference to the guaranteed capital of the Company, and having regard to my former correspondence with you, I am now instructed to say that the Company are, with the approval of the Government, prepared to issue the guaranteed Capital, and to place it in Messrs. Barings hands for sale on the terms stated by them.

If the Government should approve of the course thus proposed by Messrs. Barings, the arrangement should be concluded at once as Messrs. Barings proposal cannot, of course, remain open for an indefinite period.

I am, &c.,

(Sgd.) SYDNEY J. SMITHERS,
Secretary.

LONDON, 12th December, 1882.

E. W. PLUNKETT, ESQ.,
130 Wood Street,
E. C.

SIR :

We beg to acknowledge receipt of your letter of the 11th inst., in which you ask us to carry out the financial arrangements connected with the issue of the guaranteed Debenture Stock of the "Nova Scotia Railway Company" which we contemplated last year when we made the advance of £52,000. We beg to point out to you that in consequence of the long delay which has occurred in carrying out the necessary formalities many favorable opportunities for carrying out the arrangements have been lost, and in the changed circumstances which now exist some modification of details is requisite.

We are prepared to issue the Guaranteed Bonds of the "Nova Scotia Railway Company" at a price to be mutually agreed upon, as soon as the money market is favorable for the issue, and if so desired we will hold the proceeds to the joint order of the Government and the Company. We are prepared to advance, and add to the proceeds of the issue, a sum sufficient to make with them a total amount of £1,078,000, which with the £52,000 already paid will make up the five and a half million of dollars referred to in the receipt dated 27th November last. This £1,078,000 we will hold to the joint order of the Government and the Company.

As security for our advances we are prepared to accept a sufficient amount of the stock of the Western Counties Railway Company, pro-

vided that you, and the Government, and the Company shall previously agree that not less than £279,000, being the amount estimated by the Company's Chief Engineer as payable for the Western Counties Railway, shall be paid therefor out of the said sum of £1,078,000.

Should it be necessary before the issue of the securities that payments for any of the existing Railways be made, we shall be prepared, if so desired, and provided the above mentioned arrangements are completed, and the guaranteed bonds are in our hands, to accept and pay the drafts of the Government on the Company, and authorized by them for that purpose to the extent, say, of £250,000.

It must be understood that the above arrangements are proposed without prejudice to the demand which we have made for the return of the deposit of £52,000.

We are, &c.,

(Sgd.) **BARING BROTHERS & CO.**

LONDON, Dec. 12th, 1882.

SIR :

I beg to acknowledge receipt of your letter of the 11th inst., enclosing one from Mr. Plunkett to the N. S. R. W. Co., but as I do not understand that the Co. endorse or adopt that communication, I do not feel it incumbent on me to notice the several strange assertions and arguments it contains. In the first paragraph of your letter the phrase, "the capital placed at their disposal," and the general tone of your communication, almost makes me think that the chartered Co. has never fully realized the fact that it has assumed all the responsibilities, as well as privileges, of the Provisional Co. If the facts of the case and the correspondence that has passed between us had been fully considered, I am sure that the Co. would not have deemed that there is anything "arbitrary" in my pressing home at this late date an enquiry as to their intentions, and their ability to fulfil their engagements.

You refer to the very much longer periods which have been taken on the other side of the Atlantic in carrying out transactions in the same business, and I must therefore remind you that the Proclamation granting a charter to the N. S. R. W. Co. could not be issued until the transfer from the Provisional to the Chartered Co. was made; and, as this was not done till the 20th of July, the Proclamation—retarded slightly by a change of Ministry then occurring—was issued early in Sept., and the Government almost immediately despatched me here as their accredited Representative, not to assist at, or to wait for, your financial operations, but to deliver the Government guarantee when the stipulated cash had been paid up to entitle the Co. to receive it. It was not unnaturally supposed that at least preliminary arrangements had been made for financing schemes evolved more than a year ago, and undertakings formally ratified by the Legislature.

It was therefore a great surprise to me, and a great disappointment to the Government, to find that instead of the Company being ready, shortly after my arrival to substantiate their claim to the guarantee and make the payments required by the Act, no preparation whatever had apparently been made towards these objects.

It is hardly, I submit, under the circumstances in order, for the Company to state that they have been expected to conclude extensive financial operations in *nine weeks*; for, without going back to the Provisional Company, the present Company formally took over the schemes and liabilities of its predecessors on the 20th of July last; this was ratified early in September, and I think you will admit that now in December, it is neither unreasonable nor "arbitrary," for the Government to press for a final answer as to the intentions of the Company, more especially as I had good reason to believe that they had not arranged, and could not now arrange to raise the necessary capital.

That my surmises in this direction were unfortunately well founded, your letter amply proves; for I cannot but accept it as a full acknowledgment of their inability to comply with the terms of the receipt and Act in order to claim the guarantee of the Government. I shall, therefore, as intimated in my letter of the 5th instant, return to Nova Scotia by the steamer of the 14th, and report to the Government.

I am, &c.,

(Sgd.) W. B. VAIL.

SYDNEY J. SMITHERS, Esq.,

Sec. of the N. S. R. Co.

DECEMBER 18th, 1882.

P. S.—Since writing you last evening I have received your letter of to-day, enclosing a copy of one addressed to Mr. Plunkett, from Messrs. Baring Brothers & Co., to which I have given careful attention. No doubt it is satisfactory to the Company to find that Messrs. Barings are ready to undertake the financial operations defined in that letter, but I look to it in vain for any assurance satisfactory to the Government as to what the Company are prepared to do to carry out their obligations. You are perfectly aware of the conditions upon which alone I am authorized to give the guarantee of the Government of Nova Scotia to the Bonds of the N. S. R. Co.; and I am obliged, therefore, to look upon Messrs. Barings' letter as an entirely new proposition, inasmuch as it hinges upon the supposition that the Board will receive the guarantee of the Government without any money being deposited by the Company, and the Barings having to-day assured me they can do nothing beyond the offer contained in their letter, which I could not recommend the Government to adopt; nor, indeed, could the Government, I conceive, adopt it without further legislation on the subject. I therefore see no reason further to delay my departure, and propose to leave London to-night.

As I shall probably not have the pleasure of seeing you again, I beg to thank Sir Henry Tyler and yourself for the candid manner in which you have discussed the Syndicate business with me since my arrival in London.

I am, &c.,

(Sgd.) W. B. VAIL.

SYDNEY J. SMITHERS, Esq.,

Sec'y. N. S. R. Co.

As the Order in Council required that the five and a half millions should be deposited with Messrs. Baring Brothers & Co. before the delivery of the guarantee, I thought it well, before returning to Nova Scotia, to enquire of them if this requirement had been complied with, and I therefore wrote them the following letter:

LONDON, Dec. 13th, 1882.

GENTLEMEN:

I am this moment in receipt of a letter from the Secretary of the N. S. R. Co., enclosing a copy of a letter from your firm to E. W. Plunkett, Esq., offering to place the guaranteed bonds of the N. S. R. Co. on the market, and hold the proceeds subject to the order of the Government and Company, &c., &c.

Will you kindly inform me if I am to understand from this letter that you are prepared to satisfy the Government of Nova Scotia that five and a half millions of dollars, Canada currency, have been deposited with you for the purposes of the contract, as required by the terms of the receipt, dated the 26th of Nov., 1881? for it is only when that sum is provided that I understand my self authorized to give the guarantee of the Government. I had made my arrangements to return to N. S. by the steamer which leaves Liverpool to-morrow, and I shall be exceedingly obliged if you will kindly reply to this letter as early as possible to enable me to leave London to-night, in order to embark to-morrow.

I am, &c.,

(Sgd) W. B. VAIL.

MESSRS. BARING BROS. & Co.

I called at Messrs. Barings' office and delivered the above letter, and, by appointment, called again at 4 P. M., on the same day, for an answer, when Mr. Baring promised to forward a reply to me at Liverpool to the effect that they would carry out the offer made in their letter to Mr. Plunkett, but they could not go beyond it; and I accordingly left London at 6.30 on Wednesday for Liverpool.

On the 14th of Dec. I received the following from Barings, which, you will observe, is very brief:

LONDON, 13th December, 1882.

THE HON.

W. B. VAIL,

North Western Hotel,
Liverpool.

DEAR SIR:

In reply to your letter of to-day we beg to say that we are prepared to carry out the terms of our letter to Mr. Plunkett.

We remain, &c.

(Sgd) BARING BROTHERS & CO.

At Liverpool I received your cable message, instructing me before leaving England to offer the guarantee on payment of five and a half millions of dollars, leaving the sinking fund and additional security to be arranged in accordance with the terms of the Act; and although I considered I had practically already done this, and was satisfied the Company would not give a decided answer, I immediately determined to return, and await the answer of the Company. I therefore returned to London on Thursday, and wrote the following letter to the Secretary:

SACKVILLE HOTEL, SACKVILLE STREET,

Piccadilly, W.,

December 15th, 1882.

SIR:

After writing you a hurried P. S. to my letter of the 12th instant, acknowledging the receipt of yours, enclosing a copy of a letter from Messrs. Baring Brothers & Co. to Mr. Plunkett, I decided, as the offer contained in that letter was entirely a new proposition, and one, which in my opinion, the Government would not feel at liberty to adopt without fresh legislation, that I need not delay my departure, and after sending a cable to the Government that I should leave London that night, and be at Liverpool the following morning if they wished to communicate with me, I left in the 6.30 train; and on the following morning I received a cable message instructing me before leaving England to offer the guarantee of the Government on the following terms, which I telegraphed you yesterday:

"Order in Council of 13th September, cancelled; I now offer Government guarantee, provided Company deposit five and a half millions of dollars with Messrs. Baring Brothers & Co., to credit of Government unconditionally, for purposes of contract; the part for Government to be paid under 12th Section of the agreement, remainder to be released under provisions of Section 26 of the agreement; sinking fund and additional security to be settled hereafter, under terms of contract."

To which you sent the following reply: "Find Barings wrote you in reply to your letter in reference to the providing of the sum of five and a half million dollars," which I could not accept from the Company as a reply to the offer made yesterday, and I was therefore obliged to abandon my intention of going by the "Sarmatian" to-day and return to London, in order if possible, to get an answer from the Nova Scotia Railway Co. whether they will accept the offer and are prepared to make the deposit required, or not.

I shall be much obliged if you will be good enough to see Sir Henry Tyler, and give me an answer as soon as you conveniently can, that I may communicate it to the Government of Nova Scotia.

I am, &c.,

(Sgd.) W. B. VAIL

S. J. SMITHERS, Esq.

Moorgate Street Chambers.

MOORGATE STREET CHAMBERS,
30 Moorgate Street,

London, E. C., 19th Dec., 1882.

THE HON. W. B. VAIL,
19 Sackville Street,
London.

SIR:

Nova Scotia Railway Company.

I beg to inform you that the Directors, at their meeting to-day, have fully considered your letter of the 15th inst., in which you state that you received a cable message, instructing you to offer the guarantee of the Government on the following terms:

"Order in Council of 13th September cancelled. I now offer Government guarantee, provided Company deposit five and a half millions of dollars with Messrs. Baring Bros. & Co., to credit of Government, unconditionally, for the purposes of the contract, the part for Government to be paid under 12th Section of the Agreement; remainder to be released under provisions of Section 26 of the Agreement; sinking fund and additional security to be settled hereafter under terms of contract."

In reply to that communication, I am directed to state that the Company accepts the above offer, on the understanding that the Government agree that the practical details of the financial arrangements shall be carried out as proposed by Messrs. Baring Bros. & Co., in their letter of the 13th inst. to Mr. Plunkett, a copy of which has been furnished you, and that the Company is not required—at all events, for the present—to deal with more than the guaranteed capital.

The Company claims that the above arrangement is in conformity with the terms of the receipt.

I am, &c.,

(Sgd.) SYDNEY J. SMITHERS.

Secretary.

After receiving the letter of the 19th inst., I called upon Sir Henry Tyler and explained to him that the letter from the Secretary was not a satisfactory answer to mine of the 15th inst.; that, in fact, it was ambiguous, and misleading; as it stated that the Company accepted the offer of the Government, and then, coupled it with conditions which they well knew the Government could not agree to; consequently it was in no manner an acceptance of the guarantee on the terms of my letter.

I then stated that my principal object in calling was to learn, if possible, if I had any reason to hope that the Company could raise the requisite capital to entitle them to the guarantee, if I remained longer in London; that I did not expect any acknowledgement which might be considered an admission that the Company were in default; but I was anxious to know if there was any probability of their being able to go beyond an acceptance of the offer on the terms specified in the Secretary's letter of the 19th inst. He unhesitatingly replied: "None,

whatever; we have written you that we accept the offer on certain conditions, and it is for the Government to consider whether they will agree to the conditions, or extend the guarantee, as proposed in a former letter."

I then decided to acknowledge the receipt of the letter, and return to Nova Scotia:

19 SACKVILLE STREET,
Piccadilly,
20th Dec., 1882.

SIR:

I have to acknowledge the receipt of your letter of the 19th inst., in which you state "that the Company accept the offer made by the Government on the 15th inst., on the understanding that the practical details of the financial arrangements shall be carried out as proposed by Messrs. Baring Bros. & Co. in their letter to Mr. Plunkett, a copy of which has been furnished you, and the Company is not required—at all events, at present—to deal with more than the guaranteed capital."

I must observe that this is not a direct reply to my communication of the 15th inst., in which I asked whether the Company would accept the offer of the Government, and whether or not they were prepared to put up the deposit required.

I look upon Messrs. Barings' letter, as I remarked in my letter of the 13th inst., as a new proposition; which, besides containing some suggestions to which the Government could not assent, ignores altogether the question of payment, or deposit of money, before giving the guarantee; and, as the Company take that letter as the basis upon which, and which alone, they would accept the offer of the Government, I can only regard your communication as an admission that the Nova Scotia Railway Co. are not prepared to make the deposit required by the Agreement, Receipt and Act, without which deposit the Government guarantee cannot be given.

It is, therefore, unnecessary for me to prolong my stay, or these negotiations; and I propose to leave Liverpool to-morrow, and report the result to the Nova Scotia Government.

I am, &c.,

(Sdg.) W. B. VAIL.

SYDNEY J. SMITHERS, Esq.,
Sec. of the N. S. R. Co.
Moorgate St. Chambers,
E. C.

As the negotiations were nearly all carried on in writing, and an examination of the correspondence, which I have placed in regular order, will put the Government in possession of the requisite information as to the progress made in the business from time to time, it is not necessary for me to extend this report, which could only be done by recapitulating what is contained in the letters

between the Company and myself. I shall therefore conclude by stating that I took advantage of the very first opportunity after my arrival to assure all parties interested in the undertaking that the Government, having granted the Charter, were desirous of giving the Company every reasonable opportunity to carry out their contract; that I should at all times be ready to discuss the several clauses of the Act, and if in the opinion of the Company the requirements of the Order in Council in any manner exceeded the Agreement, and I did not feel at liberty to accept their view, I should be prepared to submit the points of difference to the Government and await their instructions.

As I before stated, I arrived in England on the 26th of September, quite ready, at a moment's notice, to proceed with the business and endorse the bonds. I waited from week to week, and latterly from day to day, hoping the Company would be in a position to claim the guarantee of the Government. I was satisfied that up to the time I left London (Dec. 20), they had not succeeded in raising a dollar of the required capital, and, as will be seen by the correspondence, they acknowledged their inability to fulfil the requirements of the Act and Agreement by asking the Government either to extend the guarantee or endorse the Company's bonds for the five and a half millions before a deposit of any kind was made as security for the performance of the contract.

I am, your obedient servant,

(Sgd.) W. B. VAIL.

